DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

March 13, 1956

The Senate continues to debate various programs under the Farm Bill. Unfortunately what might be beneficial for one group of farmers might not necessarily be the best over-all plan for the entire agricultural economy. Legislators should ponder over the fact that 7% of our population now produces 90% of our food and fiber. This is an accomplishment certainly in no way attributable to the various farm programs that have been placed on the statute books. At the same time there are in this country 1 1/2 million farm families who earn less than $ 1,000 a year. They produce little in the way of farm or manufactured products, and in many cases do not have the full necessities of life. It is difficult for those who farm small tracts of land to compete with large farmers in view of the fact that to do the job properly a farm must be mechanized. As we have pointed out before, the average investment per worker on farms in this country is more than $ 14,000. This is probably the reason that during the past five years our farm population has dropped by 3 million persons, and the number of farms continues to decline from 5.3 million in 1949 to 4.7 million in 1954.

The Senate will take up the question today of the so-called two-price system, Actually it is not a two-price system at all, but what they do mean is that there is one price at which a commodity like wheat would sell, and the price would be based on its merit in world markets. Farmers would get full parity on that quantity of the commodity consumed at home, but the surplus would not be supported; consequently, we would no longer have to limit acreage by law. The amount that a farmer would grow would be more or less regulated by supply and demand factors. If wheat, as an example, declined to the level of world markets, the producer would naturally find less incentive to raise the big crops; thus many of the artificial factors that are presently with us would not have to be dealt with through government control methods Furthermore, we would no longer have to dump our wheat abroad by paying a subsidy of 70 to 80¢ a bu on exports. Producers would be fully protected against that portion of the agricultural commodity that was consumed domestically through the payment of a direct subsidy. This would naturally be far less costly than the handling of grain under a loan program, and it would likewise put an end to the accumulations for non-existent markets. Subsidies are paid directly to the Merchant Marine in order that they may be able to compete with cheaper foreign labor. We note that several U. S. shipping lanes are considering operations on the St.Lawrence Seaway, but that, too, would take direct federal subsidies to enable them to compete with the low cost rates of their competitors in foreign countries. The same is true with carriers who are eligible for federal construction and operating subsidies. We have any number of other examples, and probably the most prominent is the Post Office, which is subsidized to the extent of over $400 million annually through a direct payment from the Treasury. What a complicated system it would be if everyone who mailed a letter were to pay 4¢ for a postage stamp and then receive a coupon that entitled him to a rebate for every letter that the government handled.

We insist that agriculture, as well as other enterprises can be subsidized openly, so that the nation will know the exact cost of the operation and thus expenses can be kept down through the elimination of red tape. The most important factor, of course, is that markets would be less restricted and less hampered, and the government would not be encroaching upon the rights of its citizens, whereas now they are heavily entrenched in merchandising operations. If experience is worth anything at all, we should have learned our lesson by now that the artificial methods have caused chaotic conditions for potatoes, eggs, and a score of other articles for which political efforts were made to artificially raise prices. It is time now to embark upon a plan we know will work -- one that has been tested over nearly a century and a half. In other words, a free market for agricultural products.

Primary receipts of wheat were 957,000 bu which compared with 790,000 bu last week, and 1.3 million bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 199,000 bu.

Trade was again on the dull side, with bakery flour business inactive, but a slight increase in family flour bookings. Selling of March and May wheat by an international house against purchase of July narrowed the spread a little between old and new-crop positions. The deferred months were relatively firm, and there was no moisture overnight, although some is indicated for the Southwest in the five-day outlook. Corn, oats, and rye were inactive, and net changes were very slight. Beans fluctuated in sympathy with oil. Lower prices were registered early, followed by a recovery late in the session.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 March 14, 1956

In somewhat of a surprise move yesterday, the Senate voted rather decisively by a vote of 54 to 39 to adopt a two-price plan for wheat, effective in 1957, with a proviso that it would have to be acceptable to farmers in a referendum vote by a two-thirds majority, with a further qualification that it would have to receive the backing of the Secretary of Agriculture, on whose shoulders would rest the final decision. We have been urging for some time a plan of this sort, figuring that if there were any merit whatsoever to the parity program, the farmer should only be permitted to receive full value on that portion of the grain which was consumed at home. It would, of course, be most desirable if we were wealthy enough and resourceful enough to pay producers the highest possible price on everything that was grown, but experience has taught us that when the encouragement was too great they overproduced. This has been one of the main reasons for the unsuccessful turn which has created surpluses for unwanted markets and has glutted our graneries to a point that accumulations have been costly to the farmer, and last year affected him to the extent that his net income had shrunk by about 20%, or possibly $2 billion.

The new amendment proposed by Senator Carlson of Kansas leaves untouched for 1956 the current flexible price support program. In other words, wheat will be supported this year at 76% of parity, or at about $1.81 per bu. Thereafter, a national referendum would be held to determine whether the producers themselves wanted the two-price plan, or whether they preferred to keep the current wheat program. Under the present setup growers must comply with acreage allotments designed to produce an 850 million-bu crop, in order to obtain federal price guarantees ranging between 75 and 90%. Under the new consideration markets would function more normally, and the government would obviously have to place fewer restrictions on producers without the necessity of resorting to production controls, allocations, and other emergency measures. When the price of wheat declined to the world level, it would only affect the value of farmers' surplus; therefore, there would be less incentive to overproduce, so that we would not have to cope with many of the artificial factors that have kept prices above their merit, and which havecompelled the government to deal with this situation through various control methods. Furthermore, we would no longer have to dump our wheat abroad through payment of a 70 to 80¢ a bu subsidy in order to export surpluses. The two-price system, or more correctly termed the Domestic Parity Plan, would bring the whole question out into the open and would give us a clearer idea of what the operation costs, but most important of all, it would mean a return of free markets, which in the long run should encourage normal trading practices, and better merchandising outlets without accumulating surpluses.

Primary receipts of wheat today were small and amounted to only 560,000 bu, but they were even smaller last week when they amounted to 502,000 bu, and this compared with 900,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 177,000 bu.

Trade in all pits was rather quiet. There had been an early advance in oil before the bean market opened, and this naturally had some influence on beans. Our government is pushing the sale of oil abroad, and undoubtedly large quantities are being sold. The fact remains that there are limits as to what can be sold as it will depend largely on what crushings are, and we are working almost to capacity in that direction. The sale of beans for export is limited as foreign buyers are not too anxious for meal, the demand abroad being poor, the same as it is here. Beans were quite strong.

As far as wheat is concerned, the new crop futures were firm, although some moisture is likely for Kansas, and our own weather man is a little more optimistic than the official forecaster. Rain or snow is likely for Oklahoma. Some light snow fell over a portion of eastern Kansas, the heaviest was at Topeka, where two inches fell. The corn belt did considerably better.

Broomhall's crop summary on European conditions is not decisive, as it is impossible to tell yet how much damage was done by the cold spell. In any case sowing of spring wheat may make up for part of the losses. As for France, only average wheat production can be expected at best, and some people take a rather pessimistic view. Corn was finally higher. The Continent bought some parcels of corn, and the spot market here traded from 2 to 2 1/2¢ over. The River corn bid was raised 1/2¢, and overnight bookings were quite good. We heard of 50 lots of soybean oil that had been tendered.

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CHICAGO, 4 March 15, 1956

While agricultural prices have been dropping since 1947, we have pointed out in previous letters that the total gross income of farmers has only diminished by about $800 million since that time, but the other and more important figure of net farm income has dropped from $17 billion to a little less than $11 billion owing to the fact that production costs during that period have risen by about $5 1/2 billion. Nevertheless, many farmers and non-farmers continue to view farm land as a safe and desirable investment, despite current lower returns. Present owners apparently hold similar views, and consequently, the number of farms on the market continue at a low level. As of November 1st, which is the last available figure, the total value of farm land and buildings was estimated at $101.8 billion. In all but two states of the Union: namely, Nevada and Utah, there had been an increase over the year before. In seventeen states values had risen 5% or more, while increases ranged up to 4% in the remaining twenty-nine states. Actually land prices have advanced more since 1947-49 than most other groups of commodities. It is thought in some quarters that both owners and prospective buyers of land may be attaching too much importance to the strengthening effects of a growing population and an expanding economy. The effects of such factors could, of course, be largely offset by new technology, both on the farm and in industry. Whatever the reasoning may be land values have advanced 7% since the recent low in November 1953, and are now at a new peak for all time. Farm land is now about 33% above the 1920 level.

Before our market opened there had been some reports of moisture in Kansas. Our own offices did not report much snow, although we saw wires from some sections that there had been anywhere from 1 to 2 1/2 inches snow in western Kansas, and there is some likelihood of further precipitation, although our own weather man believes that most of the moisture will probably occur in the east. It looks less favorable for Oklahoma and Texas, but this was probably not the reason for early advances in wheat, but rather a sensational report from Paris, calling attention to the latest official estimate of damage done to the French crops because of the severe cold wave during February. In this report it was claimed that of the 11 million acres sown to wheat 5 million were wholly destroyed, and that 3 3/4 million were partly destroyed. It was also contended that, pressed for time, many farmers were turning the soil over to barley, from which we gather that spring wheat sowings may not be as large as had been earlier expected. This is not wholly confirmed by Broomhall or other authorities, who feel it is too early to appraise the full effects of bad weather. We do know that France has bought a total of 135,000 tons spring wheat in European countries, in North America , and North Africa. This, in our opinion, could be for no other purpose than to plant it in spring. In an article appearing in The Southwestern Miller, it is stated that in France the most optimistic forecasts indicate that the surplus in 1956-57 will not exceed 1 million tons as against 2 million tons shipped in the present cereal year. This is certainly much more conservative than the official report from France, and would indicate a drop of possibly some 40 million bu, which is far from disaster. It will undoubtedly take time yet before we can get more accurate data, but certainly this early much of the forecasting is guesswork.

Recent statements emanating from Washington told of heavy overseas demand for edible oils, but in many cases procurement is not intended for immediate shipment but will be in fiscal 1957. Further details this morning indicate that more than half the allocations recently made are for new crop.

Primary receipts of wheat amounted to 838,000 bu compared with 843,000 bu last week, and 1,073,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 222,000 bu.

There was a little flour business, and during the session we heard of hedges being covered both in Kansas City and in Minneapolis, but nothing much here. There were further reports during the morning that snow had fallen in a number of places in Kansas, but not much attention was paid to weather reports. Late in the session it was learned that the Senate had voted 45 to 44 to restore the old parity system of computing wheat, cotton, corn, and peanuts, effective this year, thus reversing cuts of up to 5% in parity prices. The market responded to this news, and the close on new-crop futures was a little higher. It was reported that Manchuria on Tuesday had sold two cargoes of soybeans to Germany, and we also heard that Japan reportedly had bought 150,000 tons of soybeans from Red China, shipments starting in June. Beans were weaker. Corn was higher and the trade figures on a little better export business which may draw stocks out of Chicago. Recently about 1/2 million bu of corn was moved from this territory to export positions.

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CHICAGO, 4 March 16, 1956

A great deal is being written and spoken on the question of parity, and it has become such an important item in our agricultural economy that there may be a few pertinent facts to point out at this time. The writer was a good friend of the man who originated the concept. As an economist he had the idea in 1927-28 that farmers were not participating fully in the general industrial prosperity of the nation, and he conceived the idea that to have real prosperity for all segments of the country, we should at least try to find a method of obtaining parity income for farmers.

Following his suggestion, Congress held that from 1909 to 1914, farmers had enjoyed a period in which the cost of commodities they purchased for farm living and for farm production was "in balance" with the price that farmers received for commodities sold from farms. They chose this particular era because the farmer had been benefitted more than at any other period. Then it became apparent that there was an exception to this rule, because tobacco prices had been selling at a low level; so for that commodity they changed the base period to 1919-29. The general theory behind farm legislation since World War I has been to bring back prices of farm products to this favorable parity relationship. Average prices for agricultural commodities during the base period have probably been forgotten by many people even in the grain trade, but the comparison in our computations has been made monthly since 1928. For example, the base period average price of wheat is 88.4¢, and for corn is 64.2¢. While the original concept was an effort to bring parity income to farmers, the way it now works in practice is to attempt a parity balance for every bushel of grain that is grown against the 174 commodities which the farmer normally buys during a year's time for himself and his family. Not satisfied with the original concept, Congress in 1937 required that an allowance be made for interest and taxes per acre, and thus the index used since 1937 has included this factor. There was also before Congress another proposal to include farm labor costs but never adopted. No allowance was made for the technological development which gave us heavier production per acre. As an example, we are producing now 5.1 bu more wheat per acre than we did in the base period. We are raising 12.6 bu more corn per acre than we did during 1909-14; we are raising 9.52 bu more oats per acre than we did during that period. Thus the farmer is getting far greater returns per acre of land than had been originally contemplated in the law. As life expectancy increased, Life Insurance Companies reduced the rates of insurance to conform to an actuarial basis. The government never did this on parity computation as yields improved.

A few years ago a new way of figuring parity had been considered, but it had never been put into effect for wheat, cotton, corn, and peanuts. Starting in 1950, the method of computing parity was modified to include consideration of changing price relationships between the various commodities. At that time tobacco parity went up because tobacco prices in relation to other commodities had been higher in recent years than during 1909-14. Congress held up application of the new parity plan on some basic crops unless it was higher than the old parity, as had been the case for tobacco and rice. It was to become effective this year.

Yesterday the Senate, by a vote of 45 to 44, agreed to return to the old and more generous way of figuring parity prices for the four commodities above-mentioned. Thus tinkering with parity is like changing numerals on a thermometer, and will likewise give an inaccurate appraisal of farmers' condition based on relationships.

Primary receipts of wheat today totaled 869,000 bu vs 862,000 bu last week, and 992,000 bu a year ago. When the wheat visible is posted on Monday it will compare with a decrease last year of 459,000 bu.

New milling business remains at a rather low ebb, and there was not too much activity in wheat, traders awaiting final outcome of the Farm Bill. However, the March delivery at times showed the greatest weakness, although finally closed strong, and as of yesterday there were still approximately 3 3/4 million bu of March to be liquidated. Beans were lower, running into stop-loss orders, no doubt affected by the lower oil market. Spain and Casablanca postponed all purchases until next week, and Italy for a rather indefinite period. We later heard that Spain bought 1,500 tons of cottonseed oil and are asking for offers for March 20th. Offerings of corn from the country were light. There seemed to be some hedge-lifting, but we have not heard of any additional export sales or any further quantities of corn moving out of Chicago.

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CHICAGO, 4 March 19, 1956

After the close of the market on Friday, the Crop Reporting Board made its report on indicated acreages for the various crops in the 1956 season. As usual the final planted acreages may turn out to be larger or smaller than indicated at present by reason of weather conditions, price changes, labor supply, and other factors. In any case there seems to be a chance for a reduction of about 3 million acres in corn, which would give us the smallest sowings in many years. In spring wheat, there is about a 5% increase in likely plantings, but of the 800,000 additional acres to be sown, most of it represents durum wheat. The reduction in oat acreage is about 4%, and somewhat heavier in barley, all of which suggests that we may move a little closer to a balance in feed grains except that the carryover supply at the end of this season will still be very large. The 59 principal crops are employing a total acreage of about 352 million, which would be the smallest total for these crops since 1942, and would be about 5 1/2 million acres less than the ten-year average. As just stated feed grain crops apparently will furnish the largest part of the total acreage reductions as compared with 1955, with the corn acreage the smallest planted since 1926. We have been steadily cutting the corn acreage and fifty years ago, there were nearly 95 million acres of corn land for harvest in the nation annually, but even now with hybrid seed and technological developments we are getting good yields on the smaller area. Thus there is still a chance for a 3-billion-bu crop, despite the acreage cut.

There had been no moisture in the Southwest over the week-end, and in fact, Salina and Beloit reported winds with some dust blowing. There is no prospect for relief, and most of the wet area is along the Atlantic Seaboard, with heavy snows reported in the northeastern states, New York, and Pennsylvania.

Crop reports from Europe are still of a fragmentary nature but Broomhall admits that some of the forecasts are quite pessimistic in nature, particularly for such countries as France and Belgium. In the latter country it is officially claimed that 75% of the winter wheat has been lost and that alternate freezes and thawing are causing further serious damage. Qualified observers in the U. K. say that a large part of the winter wheat crop will revive although plants may not sprout satisfactorily. In France, it is felt that heavy spring plantings may make up part of the loss, and meanwhile reserves of old crop are still plentiful. Thus even a delay in harvesting operations should not prove too serious. For the most part the tendency is still to defer estimates of the extent of loss until there is a sustained period of growing weather. In Argentina the latest wheat crop is now estimated at 190 million bu, or nearly 93 million below the large 1954 crop. As an offset carryover stocks in that country on December 1st totaled around 78 million bu, or the largest in years. The Australian wheat crop was placed at nearly 200 million bu vs 167 million bu a year ago and 178 million, the 1945-49 average. The carryover reserve was also large in that country and amounted to approximately 94 million bu.

Chicago stocks of wheat showed a heavy decrease during the week, with a shrinkage of 813,000 bu, which leaves 7.7 million bu in this market. Locally there was a small decrease in corn, and oats decreased 294,000 bu, leaving 2 1/2 million bu in warehouses and 327,000 bu afloat. There was an increase in bean stocks of 607,000 bu, but over half of this was offset by a decrease in the afloat stock. Altogether there is about 6.8 million bu of beans here in Chicago.

The bean market continued firm in sympathy with higher prices for oil and meal; later on oil prices receded but the bean market had a very firm undertone, and the close was higher. In wheat, the main strength came in the March delivery, this future sold at a new high on the crop, and of course, it influenced the May delivery as well. One of the international houses bought May wheat against July, which caused a widening of the spread. The deferred months were indifferent for a time, but finally were influenced by strength in the nearby positions. Corn and oats were higher and naturally a smaller acreage planted to 1956 crops will have some effect. Oats are relatively cheap, but investment buying came more in the deferred futures, while the nearby months were comparatively weaker but they did show a small advance since Friday. The U. S. wheat visible decreased 3.8 million bu. Beans increased336,000 bu, and corn increased 1/2 million bu.

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CHICAGO, 4 March 20, 1956

The most important news overnight was the Senate passage of the Farm Bill by a vote of 93 to 2. Probably nobody is very happy over all the amendments that have been injected into this legislation, although chances are that it will get another thorough going over by the Conferees of House and Senate; therefore, it is difficult to say at this time in what form it will finally emerge. Many of the Democrats who had voted for flexible supports inflicted a major blow on the administration's program when they raised the price supports on wheat, corn, and cotton, and in addition to this they provided a much more elaborate and generous set-aside proviso, whereby 750 to 800 million bu wheat would be placed in sterile account compared with only 400 to 500 million bu at present. On corn there had been no such previous limitations, but under the new proposal at least 250 million bu would be placed in a set-aside category, which would change the formula of reckoning support levels, and would, therefore, probably raise the price of next crop loans. For example, if the set-aside proposal is finally adopted by Congress and sanctioned by the President, wheat supports in 1956 might be pegged as high as $2.13 a bu, or 85% of parity, according to unofficial estimates. Previously Mr. Benson had already set props for wheat at 76%, which at that time figured $1.81 a bu. Thus the Administration has suffered a severe setback, and even the "Soil Bank" proposal now becomes mandatory instead of voluntary, starting in 1957. Under its provision Mr. Benson would be authorized to spend up to $1.2 billion a year to pay farmers for not growing surplus crops. The bulk of this money could be used for retiring land on basic commodities. Even the flexible supports, ranging from 75 to 90% of parity, are now meaningless when the legislators set higher minima on individual crops.

The Senate also voted increase of up to 5% in the parity price of wheat, cotton, corn, and peanuts. Actually what this is intended to do is to restore the higher and more generous method of figuring parity on these commodities. If this is done these four commodities are singled out from all other crops for special treatment. Of the 136 important crops in the U. S., and of our various dairy, poultry, and livestock products, these four get favored treatment, but we trust that when others hear about it there will not be a general clamor to get the special treatment likewise. Certainly farmers have a right to ask why this preferred treatment for a few crops. However, this bill was thrown together in such a hurry that probably many of the elementary and fundamental issues could not all be fully considered.

Weather over the Southwest had been dry overnight, and no moisture is looked for, although temperatures will be somewhat higher. During the session we heard that high winds were blowing around Salina, Kansas, and the same is reported at Great Bend, Even the five-day outlook does not offer much relief.

When our market opened it was naturally influenced by the Senate action late yesterday. There is still considerable doubt whether the President would pass this legislation in its present form, but meanwhile shorts became nervous. There was a much higher opening for March wheat and this was the last trading session, Up to now there have been no tenders and consequently shorts were on the defensive.

Primary receipts of wheat today amounted to 867,000 bu with Wichita missing; this compared with 957,000 bu last week, and 1.3 million bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 46,000 bu.

There was still a very large interest at the opening this morning of both March wheat and March beans. A good part of this we are sure was settled in the pit, and it was a foregone conclusion that markets would be erratic under these conditions, but March wheat particularly. Flour sales were said to be exceedingly small, and a slight strenthening in cost served to reduce buying interest still further. We understood that 150,000 bu of red wheat had been sold to exporters, and will be shipped out of Chicago. The quantity may have been larger than this although we were not able to confirm the extent to which this business might have reached. All markets were strong, and with chances, or at least the possibility, that the Farm Bill will not only cut acreages materially but will afford a higher loan price on next season's crops, there was some short covering and investment buying. It looks to us as though the amount of free wheat here in Chicago will be very small when May rolls around, and our view is confirmed by the fact that a high price was paid today for March wheat, which at the close showed a premium of 12¢ per bu over the May.

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CHICAGO, 4 March 21, 1956

There was some unexpected moisture overnight although it did not cover a very wide territory. Wichita, Kansas, received wet snow and it looks as though there may be some precipitation in the eastern part of that State, while we have already had reports of some nice rains, around Enid, Oklahoma, nearly 3/4 inch fell, and lesser amounts were reported in other sections of the State, but mostly in the eastern part. Nevertheless, this is always helpful and may have had some influence this morning on the deferred wheat futures. May wheat opened rather strong, which was not surprising, as the March delivery yesterday expired at about the highest level on the crop. For the past few weeks now Chicago has been losing some of its red wheat although part of it was sold out of this market on a comparatively cheap basis, with exporters apparently willing to take it from here to fulfill previously made sales. There was still 2.4 million bu No. 1 and 2 red wheat in the contract stock on Monday, but probably half of this belongs to the government. They own a total of 2.8 million bu wheat here in Chicago, although part of their holdings are undoubtedly hard wheat. Thus we could have a tight situation in May, and as a matter of fact, the present premium of the nearby delivery over later months suggests that there is apprehension already among shorts. If the price of wheat in Chicago stays attractive enough, of course, there could be some redemptions, or we could even attract wheat here from St. Louis, but we believe it would take further advances to bring this about.

Our bean market opened rather firmly this morning. It was reported that Spain was the accredited buyer of 2,750 tons refined soybean oil and 1,000 tons refined cottonseed oil. It has been mostly the strength in the oil market that has given encouragement to holders of beans, and recently the meal market showed some recovery, at least for futures, but the spot market has been draggy. We heard that Commodity had sold exporters about a million bu milo at prices ranging from $2.17 to $2.17 5/8, and there was also a little export business in corn, and there was evidence of futures covering in the July, which gave us strength shortly after the opening.

The Kansas weekly crop report stated that snow had brought beneficial moisture to the northwestern and eastern counties, but elsewhere precipitation was too light to be of any material aid to wheat. More rain is needed in all areas to assure satisfactory crop development. For the State 70% of the intended oat acreage and 43% of the spring barley crop has been seeded. Wheat is furnishing a limited amount of grazing in some localities. In Nebraska the crop made progress in the western part of the State where the moisture situation has been more favorable. Winds, they say, during the past week-end were a little severe and caused some soil blowing. Wheat needs moisture badly throughout the State, particularly in the eastern half.

Primary receipts of wheat amounted to 701,000 bu which compared with 560,000 bu last week, and a little over 1 million bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 113,000 bu.

Trade was much more quiet than yesterday, and while flour demand remained poor our May wheat became quite strong before the session ended, and a new high on the crop was registered this morning. There is still a fair amount of wheat to be shipped outof this market, and this seems to be the main feature. For a time new-crop months were a little weaker, but were finally influenced by the strength in May. September wheat, which had closed out of line yesterday, was strong, and nearly regained its premium over July which for some time has been running about 2¢. Some of our friends feel that meal prices will gradually improve as the little pigs are being weaned, when there should be a better meal demand. However, beans are somewhat dependent upon exports, and unless there is an improvement in this direction we feel that it will be difficult to have sustained strength. There was not much feature to the corn market. Spot corn basis was about 1/2 under. Country selling is not sufficient to bring much pressure to this market, but on the other hand Chicago stocks are big; under those conditions there is not too much enthusiasm on the buying side, and we anticipate continued carrying charges.

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CHICAGO, 4

March 22, 1956

Secretary Benson has repeatedly stressed the fact that a stable, prosperous, and free agriculture is essential to the welfare of the U. S., and he has insisted that markets constituted the great long-term need of our agriculture. Unfortunately, it is not possible to have the kind of markets we need and deserve when legislators impose various restrictions, allocations, and other hardships that interfere with normal marketing operations and prevent the proper distribution, which alone can be attained when price relationships are competitive and free. During the past two years 16 million acres of land have been diverted from wheat and cotton, and have been planted to feed grains that compete with corn. Except for the production of these 800 million bu of feed grains on diverted acres, many economists believe that the corn supply today would be in perfect balance. We used to feel that a corn crop of 3 billion, or possibly 3.1 billion, could easily be consumed with a population of 166 million people requiring the diet and able to afford meat and poultry products under a prosperous economy such as we are enjoying at this time. Very likely the low price of corn may be charged directly against rigid supports for wheat and cotton, and the fact that there have been so many substitute feed grains produced has hurt the consumption of corn and has caused larger reserves to be built up, which, like wheat, are overhanging the market and hurting the price.

Under the administration's plan to create a "Soil Bank" farmers would be paid to take some of their acres out of these surplus crops, but they would not divert them to competitive crops, as they have in the past. That, of course, would help although it might take time to bring about needed relief. Another part of the "Soil Bank" is the Conservation Reserve which is intended to be voluntary and permanent, although the Senate chose to make it compulsory if farmers were to receive the usual benefits afforded them by the loan. There is undoubtedly a vast acreage in this country which consists of less productive cropland, which might be taken out of production and put into grass or trees. That would help reduce surpluses, protect our soils, and build up timber resources. In seeking a direct and effective attack on the surpluses themselves, the Secretary refers to it as an all-out operation, and he claims that we should not ask the nation to undertake this phase of the program more than once. It is an emergency measure designed to reduce surplus stocks, but should not be an attempt to empty warehouses so that they will be merely filled up again through the encouragement of high supports, which each time in our national history has created problems when the prices of commodities were boosted higher than was warranted by actual demand. The parity ratio dropped 33 points since February, 1951, but practically all of the price drop has taken place under the old rigid 90% support law that was in effect on basic commodities.

Primary receipts of wheat amountedto 906,000 bu which compared with 838,000 bu last week and 905,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 122,000 bu.

The market was not too active although at times there was fair buying of both May and July wheat. However, best prices did not hold. It seems that on the bulge the other day when March wheat expired, the price apparently reached a point where some of the mills had apparently gone out of their wheat and we hear that this has been replaced on a somewhat better basis in the country. We heard that probably 300,000 bu will come to this market, and more was probably worked. We are not too far now from some redemptions at least on purchase agreements, although there is not much profit for the farmer to sell after paying charges. There was a little spot #2 red wheat which sold at 10 1/2 over, which made the price $2.36 1/2. This is within 1 1/2¢ of the full Chicago loan, but of course allows no interest payments if farmers should redeem Chicago-held wheat. Nevertheless the country was offering a little more freely. As a result our May wheat lagged at times as compared to July. Beans were fairly strong early, but when the oil market receded there was some profit-taking. There was also a report that France had purchased a cargo of Manchurian soybeans for shipment by May 15th. Italy has purchased, or made commitments in recent months, for 80,000 tons of edible vegetable oils from countries other than the U.S. Italian buyers stress the relative cheapness of oil from competitors, which explains the hesitancy in exercising purchase authorizations here for $4.6 million. There was not much in the weather news, although some moisture in east-central Oklahoma and eastern Kansas, and the forecast suggests there may be precipitation in southwestern Kansas and in western Oklahoma by tomorrow. Corn was strong, and there seems to be some export business, which has also encouraged investment buying.

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CHICAGO, 4 March 23, 1956

Two well known economists of one of our leading agricultural universities have written a joint article on the functions of price. After outlining the three important ones by explaining how prices guide production, guide consumption, and guide goodsthrough the channels of trade, they come to the fourth great force: namely, government supports, which have been an addition in recent years, and one which they claim cannot be ignored. They maintain that government supports do not eliminate competition but that they do change the type of competition by substituting government monopoly for private competition. They say that government-supported monopoly prices for wheat now guide the surpluses into government elevators. Formerly, competitive prices guided surplus wheat down the throats of livestock. Supported prices now guide powdered skim milk into government storage. Formerly, competitive prices guided skim milk into hogs, calves, and chickens. Support prices, however, do not do what most farmers think they do. Supports do not protect farmers against deflation. According to their theory: "Support prices are an excellent illustration of the difference between what makes prices and the functions of prices. The price-making forces of the support program are puny but the power of support prices to guide goods into the wrong channels of trade is Gargantuan."

It is not yet known who will constitute the personnel of the House-Senate Conferees to try to draft a new Farm Bill, but in any case the attempt will be made to iron out some of the wrinkles. It is probably the first time in history that the entire Senate attempted to write piecemeal legislation, with everyone trying to inject his own personal thoughts into a bill. It reminds us of an orchestra where each man is for himself, and there is no leader to bring the musicians into harmony.

Word came from Washington this morning that President Eisenhower might accept the higher support levels for one year if he could get other workable features into a farm bill. This, of course, may be only someone's guess and there is no certainty whether our Chief Executive would compromise or merely veto the bill if it comes to him in such shape that he believes it will do more harm than good.

However, the effect on the market was bullish, and new-crop wheat prices were higher, and in fact, the whole market displayed a better undertone. There was some disappointment in the overnight weather, and rains which had been expected in Kansas and Oklahoma failed to materialize. There may be a little precipitation in the eastern sections of those States, but even this is doubtful, while other parts of the Southwest will probably remain dry over the week-end. Even the five-day forecast is not particularly hopeful.

There had been some business overnight in beans, which brought buying into the futures market. Japan was said to have purchased 21,000 tons soybeans, and this inspired more confidence as lately our exports have been lagging. Italy also took 1 1/2 cargoes hard winters, while the Continent bought a few parcels of corn and there seems to be a little foreign business passing right along. Denmark bought half a cargo of Canadian rye last night.

Primary receipts of wheat today amounted to 930,000 bu which was a little more than last week, and also slightly more than last year. Kansas City and Minneapolis stocks so far this week show a net increase of 77,000 bu. When the visible supply is posted on Monday it will compare with a decrease last year of 1.6 million bu.

Trade was quite active today, and as mentioned earlier, there is some talk that high supports might be continued for one more year, but this is very speculative and nobody can be sure. In any event, there was a good deal of short covering, which ran the market into stop-loss buying. At the same time there was some undoing of spreads by way of sales in May against purchases of new-crop, and this narrowed the difference between May and July considerably. From what we hear farmers who have wheat under purchase agreement are beginning to sell both downstate and in Ohio. There had been a total of about 42 million bu of wheat in these purchase agreements and, therefore, if reasonable amounts come out, the final situation will not be as tight as had been indicated earlier. There was fair buying in bean meal, and that market has had a good recovery from the recent low. There are people in the industry who feel that prices between now and July may go up considerably, and they have called attention to the fact that as the little pigs are weaned there will be added uses for meal. Beans were firm, although oil prices showed a reactionary tendency. There was no improvement in flour business, and this has been the same story now for some time. The spot basis on corn was a little easier, but the futures market ruled firm, and there is very little pressure from the country.

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CHICAGO, 4

March 26, 1956

Secretary Benson spoke before the National Press Club on Friday, and whether people agree or disagree with his views, there can be little doubt concerning the fact that he is always completely candid and does not wait until criticism comes from the outside before appraising the farmer's status. Rather Mr. Benson tries to be undeniably fair in admitting whatever weaknesses there may be in the administration's farm policies. This writer has probably read almost every talk the Secretary has made since he came into office, and for several years now he has spoken regretfully about the farm income situation, which has been all the more disheartening because of the unprecedented national prosperity that has come to the nation. He is concerned over the fact that farm income has declined in every year but one since 1947, while the income of non-farm people has been rising steadily. On the other hand, he has charged that most of this decline has occurred while the people who seemed to have all the quick, easy answers now, were in control of the Executive Branch of the Government and Congress, and that it was during this period of rigid price supports that our problems developed. Mr. Benson, like many other economists, realizes that farmers have never enjoyed a high level of income as a direct consequence of any price support program. Agriculture's years of greatest prosperity came during and immediately after the war, when farmers sold their products in the marketplace at prices well above government support levels.

The Bill as passed by the Senate has suffered when 100 amendments to the measure were added, and as the Secretary indicates in its present form it bears little resemblance to the Committee Bill and almost no resemblance at all to the constructive, forward-looking 9-point program recommended by the President. The sum total in his words: "The measure as it now stands is unworkable and could never bring about farm prosperity." In view of this statement and direct quotation, it is our firm conviction that the President would never sign the bill if it comes to him in its present form. Thus far, Mr. Eisenhower has stood by his Secretary of Agriculture, who has travelled one-quarter of a million miles in nearly every one of the 48 states; he has met with farmers and visited their farms. Mr. Benson knows that these people want to produce for markets and not for government bounty. The bill as it stands purports to give farmers something with one hand and then take it away with the other hand, as he restated in his Friday talk. Thus we are all the mor convinced that the administration will not sanction any program or policy which is no in the best interest of our farmers and fair to all of our people regardless of pressure.

There was buying of wheat in the deferred months, probably prompted by fair weather that prevailed over all the grain belt areas, and there seems to be little chance for relief, as the prediction is for generally fair and mild tonight and Tuesday. May wheat was under pressure and old-crop wheat is getting closer to a redemption basis. Upturns in the southwestern market carried No. 1 ordinary wheat to $2.33 a bu at Kansas City, and low proteins advanced to $2.37 against a loan price of $2.38. Small amounts of purchase agreement wheat have already begun to come out, and this places somewhat of a ceiling on the nearby months.

Some concern is developing in Washington over the possibility that we may lose some of our potential bean markets in Japan, and reports coming to the USDA indicate that Chinese prices for beans are a little more favorable. It was reported, however, that Denmark had bought 5,000 tons of soybeans for October shipment and 4,000 tons for October-November shipment. Reports from Europe continue to indicate that winter losses of grain and other crops were very severe in a number of countries, although in Germany, Italy, and the U. K., there seems to be a tendency to scale down earlier estimate of losses. Meanwhile, weather remains rather cold over large areas.

Chicago wheat stocks decreased nearly 700,000 bu leaving 7 million bu here There was a large increase in corn stocks locally, and taken into account the quantity afloat there are about 16 million bu in Chicago. A cargo of oats was transferred to elevators, and there is a total of 2 1/4 million bu stored in Chicago. Bean stocks increased by about the same amount as the afloat stocks decreased, leaving the total at practically 6.8 million bu.

Trade was quite active, and the deferred wheat futures were strong as several Washington advisory services claimed that the President would sign a Farm Bill with basic crops not much below 90% of parity. This caused some unwinding of spreads with the result that there was a sharp narrowing between May and July whea Corn and oats were not much changed, but beans were quite firm as oil prices strengthened a little after being lower last week. Trade, however, was not particularly heavy. U.S.wheat visible decreased 6 million bu. Beans decreased 179,000 bu.

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CHICAGO, 4

March 27, 1956

According to the Department of Agriculture, both meat and milk production are headed for another record-breaking year. Increased output per cow resulted in 7% more milk during January and February than in the same months last year. On the other hand a smaller acreage will be planted to feed grains this spring than last, according to the preliminary intentions on part of farmers. There have been reductions in the prospective corn, oats, and barley acreages, offset by a slight increase for sorghums for all purposes. However, the total acreage intended for the four crops is 3 1/2% below that planted in 1955.

It is probably less important at this time to delve into foundamentals when there are so many uncertainties in the picture, and when much evolves on our agricultural program, which at the moment is entirely up in the air, and, consequently, makes calculations for the future extremely difficult. On the assumption that the Senate-House Conferees adopt a 90% of parity program for loans on basic crops, and that the President would sign a bill having this provision (even though it might be only for a year,) we would still not have the answer to all of the problems at hand. First of all, one would have to know whether the new or old parity formula is going to be adopted for the basis. At the present time tentative loans on wheat are at a minimum of $1.81 per bu on the farm, but this was all calculated on the flexible support program and new parity computation was to have been the law; in fact, it will be unless changed by the Congress. Should 90% of parity loans for wheat be voted on basis of new parity, the loan would be about $2.14 on the farm, or, roughly, an increase of 33¢ per bu as compared with the earlier support method. On the other hand, if Congress votes to go back to the old parity computation, wheat loans on the farm would amount to nearly $2.27, or an increase of 46¢ per bu over the old loan basis of $1.81, which was to have become effective on next summer's crops. Thus with such wide variance and nobody yet sure whether the President would sanction or veto measures of this type, one can readily see that trade at present is like a ship without a compass or lacking a rudder. Because of these uncertainties we are quite reluctant in hazarding guesses for the future. We must assume that added to the loan price on farms, the Chicago loan price would be about 30¢ per bu higher. Consequently, the Chicago loan level might be any of three different figures -- either $2.11, or it might be $2.44, or it could be $2.57. In these circumstances everyone who trades in wheat is trying to form his own judgments, and the majority of people are probably of the opinion that some high level of loan will be offered to farmers, particularly as this is an election year. The President, who had been backing Secretary Benson on both new parity computation and flexible supports, may or may not go along with the contemplated changes now being discussed in Committee.

There was no rain overnight in the Southwest, but there were a few light showers last night in Illinois, and there was some light snow in the Northwest. There may, however, be some rain or snow in eastern portions of Kansas and Oklahoma tonight, but it will remain fair in the western sections with much colder temperatures. The five-day forecast is slightly more hopeful, although nothing much is looked for in western districts. This is another uncertainty coming on top of legislation debate.

Broomhall reported that East Germany may take 50,000 tons oats from Canada in the near future and that already 250,000 bu have been purchased. France was reported to have bought 2 1/2 cargoes No. 2 yellow corn for April shipment.

Primary receipts of wheat amounted to 1.3 million bu which compared with 867,000 bu last week, and 1.1 million bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 71,000 bu.

During the session we had reports of wind and dust in some parts of Kansas, with fields blowing; also had a report from Winnipeg that crop damage in Europe was the worst in a century. Probably most important was a report from Washington that Senate and House farm conferees had voted to restore rigid 90% price supports for major crops for 1956 only. They also voted to retain the old and more generous parity computation for wheat, corn, cotton, and peanuts. As previously stated, this would push the loan on the 1956 wheat crop to about $2.27 per bu vs $1.81 support which had been based on 76% of new parity, and which had previously been proclaimed a minimum by Secretary Benson. There was an immediate upturn in the market when this information became public, although best prices did not hold and wheat prices closed lower. Corn also reacted when wheat weakened, and the same was true of beans, but rye was independently strong.

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CHICAGO, 4 March 28, 1956

From all appearances the Farm Bill will not go to the floors of either Senate or House before April 9th, as the Conferees did not think it was humanly possible to bring out the bill for consideration before the Easter recess. There seemed to be general agreement that if a vote were taken before the end of the week, action would of necessity be too hasty. Secretary Benson promptly predicted that the President would veto a Farm Bill if it contained 90% supports even though this is only being considered for a period of one year. In his own words: "If it has the extension of rigid supports, it will be vetoed." The Secretary also pointed out that it was probably too late for the soil bank to channel income to farmers for cutting back acreage for spring crops. He observed that farmers have already invested in seed and fertilizer and said that the public probably would not like the idea of plowing up crops after they had been planted. Thus the whole program is still very much up in the air, and nobody can be entirely sure of the outcome, although the two important points apparently agreed upon by the Conferees are against the wishes of the administration: namely, high supports and the dual formula for wheat, cotton, corn, and peanuts; which, if enacted into law, would probably give us the highest wheat loan next summer in the history of the country.

Other news overnight was also important, and had its effect when our market opened this morning. Both radio and news dispatches told of spring winds that brought dust storms to parts of five states yesterday, Visibility in some cases was reduced to half a mile or less, and the badly hit areas were in western Kansas, eastern Wyoming, Colorado, western Oklahoma, and the Texas Panhandle. The heaviest blow was reported at Pratt, Kansas, where visibility at times was cut to less than a block. Wind velocities were as high as 65 miles an hour, and elsewhere over the plains winds ranged from 25 to 40 miles an hour. Some crop damage was reported in the wheat-growing areas, but no accurate check was possible this early.

We continue to get pessimistic reports from Europe although there is variance as to the probable damage sustained from the severity of cold weather this past winter. According to Broomhall winter wheat losses in France will be heavy, and in trade circles it is thought that 60 to 80% of the lost wheat acreage may be replaced with spring wheat, provided, of course, conditions are favorable for field work. The balance of the acreage may be planted to barley. The French carryover reserves of wheat may be around 55 million bu, which is substantially above earlier forecasts and is somewhat of an offset to the crop reduction. Moisture conditions in Italy are reported good and winter losses were relatively light. In Western Germany progress of spring work is slow, but winter losses were relatively small. Mild weather has set in, and while farmers were late in getting into the fields, operations are now expected to be accelerated. Taking Europe as a whole, it looks as though farmers were seeking to make up as much as possible their losses by spring planting, and with springlike weather this is stimulating activity to the utmost.

The Continent bought small parcels of corn and milo, and Germany purchased 1,000 tons soybeans for October-November shipment.

The Nebraska weekly crop report told of some damage to winter wheat from blowing, but apparently this was confined to cold areas, and especially to grain in the northeast and east central portions.

Primary receipts of wheat amounted to 885,000 bu which compared with 701,000 bu last week, and 674,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 182,000 bu.

Trade was very much more quiet than yesterday, although new-crop wheat futures were firm most of the session due to adverse weather reports that came from the Southwest. It is difficult to appraise the possible damage until we get some growing weather, but the trade was reminded of dust storms in the past which had taken a heavy toll of the crop, and some of today's messages were quite pessimistic. In a few cases it was stated that there was good subsoil moisture in the ground, but surface moisture was needed to prevent further deterioration. Around Hutchinson it was the consensus of opinion that not much damage had been sustained by the crop as wheat is mostly beyond the blowing stage except on sandy soil; nevertheless, rain is needed badly over the territory despite the fact that the wheat plant looks pretty good. There was excellent snowfall in North Dakota. Corn and oats were extremely indifferent, and price changes were unimportant. There was a fair undertone to the bean market, and prices were higher at times as pressure from the country was extremely light. The deferred months were weaker. Our May wheat was relatively the weakest, and overnight flour business was almost flat.

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CHICAGO, 4

March 29, 1956

As we have stated before, no official action on the Farm Bill will be taken until after the Easter recess, which is about April 9th. However, we do understand that the farm conferees from the House and Senate will probably continue to work on a compromise bill, in order to have a plan in readiness for legislative vote as time seems to be of the essence. Farm work has already started in some sections of the country and planting operations will probably continue if weather is favorable, all of which suggests that the soil bank program could not very effectively be put into operation for 1956 crops unless some of the sown acres would later be plowed up. This part of the program is the one that was most actively sought by administration forces, and it was their desire to place the incentive sufficiently high to make it attractive for farmers to retire part of their land and not put it into other uses. Heretofore, whenever we have had acreage allocations, as was the case in wheat and cotton, it merely meant the transfer of land to feed grains, and thus other commodities were thrown out of balance.

Senator Anderson of New Mexico, who was formerly Secretary of Agriculture, and who had favored flexible supports at the start, but who later was one of the 93 other Senators who voted for the Farm Bill, has now come out with a statement that the present legislation as it is emerging is completely unworkable, and he has forecast that it would never have to be vetoed by the President, as it was his guess that it would be rejected by the Senate when it came on the floor of that body in another two weeks. There are, of course, others who do not favor this view, and they feel that because it is a political year, the Republicans cannot take a chance of having no Farm Bill at all when it has been a matter of discussion for so long, and when apparently there are those who claim that a return to high rigid supports would bring the farmers a better income.

The University of Illinois, which broadcasts farm prices many times during the day has been referring to the present legislation as the "Election-Year Farm Bill." There is no doubt that political considerations are given almost the same backing as are any attempts to improve the status of American agriculture. Because it is so political, no one can have very definite convictions at this time. Between a farm loan of $1.81 per bu, which would go into effect if nothing were done, and a possible loan of $2.26, there is a difference of 45¢ per bu; therefore, the stakes are big, probably more so than they have ever been before when various farm problems had arisen.

It was reported this morning that Egypt had bought 14 cargoes No. 2 red wheat or No. 2 soft white wheat, seller's option for April-May-June shipment. Some of this, of course, could come from the Pacific Northwest. It will all come out of government stocks.

According to the Oklahoma weekly crop bulletin, the past week was generally favorable for plant growth and they go on to say that wet fields in the central and western areas delayed field work the first of the week, but that good progress was made in preparing land for spring crops later on. The moisture that came did much to help grain crops, although drought conditions in the Panhandle areas and winds during the week caused some blowing of loose soil. In spite of all this very few wheat fields have been abandoned in that area to-date, although crop prospects are declining with every succeeding week of dry weather. There is still no forecast for much rain Southwest. The official is a little more favorable than that of our own expert, but in any case higher temperatures are indicated.

Broomhall tells us that the IWA Conference at Geneva has adjourned, but talks will be resumed in London on April 16th. We had regarded this as a dead issue but apparently there is some hope of reviving the plan.

Our wheat and flour exports for the week were heavy at 9.6 million bu. Total shipments amount to 201 million bu vs. 194 million a year ago.

Statistics were unimportant. When the wheat visible is posted on Monday it will compare with an increase last season of 219,000 bu.

May wheat, which had been weak yesterday, was relatively firm this morning, but the deferred months lost ground on evening-up transactions. Corn was quite strong, and industries, unable to buy cash corn, seemed to be buying futures. Locals also bought. Oil prices were higher, which influenced beans, as did also relatively heavy crushings which were about the same as last month but 5 million bu greater than last year. Current flour sales were extremely slow, and there was no encouragement from that source.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 April 2, 1956

U. S. wheat acreage increased somewhat after the war, but is now sharply lower than the prewar average. The same pattern has been followed in many other important countries, such as Canada, Australia, and Argentina, where smaller acreages are being planted now than before World War II. But each year yields per acre have been improving and farmers have made greater use of higher yielding varieties, of improved cultural practices, and in some countries of fertilizers, but additionally there has been unusually good weather. In Canada, for example, four of the past five seasons have been exceptionally good, insofar as production was concerned. The 1955 world harvest of wheat was only slightly below the all-time record in 1952. This tremendous harvest climaxed ten years of rising production. Unfortunately world consumption has not kept pace and it is now well below output. As a result total stocks in the four leading exporting countries are at record levels. Importing countries have increased production at home, but despite this world trade is fairly stable, and the U. S. is still selling its share of wheat by keeping prices on a competitive basis, largely through payment of subsidies, but domestic utilization has continued to decline, especially in the use of wheat for livestock feed, seed and industry.

On Saturday, when all markets were closed parity prices were published, and there was a slight increase for most commodities as compared with February 15th. For example, wheat parity rose from $2.38 per bu to $2.39; corn advanced from $1.73 to $1.74, and beans showed a 2¢ increase from $2.86 to $2.88. Higher prices were paid by farmers for both family living and production goods, as compared with a month earlier. This raised the March 15th price index to 261% of its 1910 - 14 average. It was 1% higher than in mid-February, although 2% lower than a year ago.

Congress is on vacation this week, although the Conferees are busy working on a Farm Bill. Unless the soil bank becomes operative in time, indications are that the 59 principal crops, according to early planting intentions, will account for about 352 million acres of land, which is the smallest total since 1942. This would be 3 million acres less than last year and 5 1/2 million less than the ten-year average. Of course, if land is retired through incentive payments, our acreages might be cut considerably, but we doubt whether any legislation can be enacted quickly enough to bring about much relief for this coming crop-year. Present indications are that corn acreage will be reduced by 2.9 million acres, or nearly 4%; oats by 2 million acres, or 4%, barley by 1.3 million acres, or 8%, and rice by 1/4 million acres, or 13%. On the other hand increases are expected for soybeans of about 2.1 million acres, and for spring wheat .7 million, which we believe will go mostly into durum wheat. Moderate increases are also indicated for hay crops, sorghums, rye, peas, and sugar beets.

Early weather reports indicated mostly dry conditions Southwest, with some wind and dust, although it later developed that there was about an inch of rain at Oklahoma City, and smaller amounts elsewhere in Oklahoma, with Altus receiving .80 inch. This is all to the good, although the rainfall was not general in the southwest and indications are not too hopeful for further relief.

Chicago stocks of wheat showed another large decrease, which amounted to 646,000 bu; this leaves 6.3 million bu in this market. Corn increased 517,000 bu, and the total here including afloat stocks amounts to 16 1/2 million bu. Oats are down to 2 million bu, and rye is down to 1.8 million bu. Afloat stocks of beans have been cleaned up, but there is 7 million bu in elevators.

Trade was reasonably active at times, and new-crop wheat futures were very firm. There were tornado warnings in Wichita, Kansas, and strong winds were reported at Hutchinson with considerable dust in the air. On the other hand, weather was not entirely bad, as it was raining hard at Independence, Kansas, and there were some showers in southeastern parts of that State, principally around Coffeyville. Nevertheless, there has been deterioration reported in wheat prospects, especially in the Texas and Oklahoma Panhandles, according to the Santa Fe report, and we need a good general spring rain. Oil prices were very strong, and Germany was credited with buying about 12,000 tons of cottonseed oil, with the demand said to be keeping up. This gave us a very strong market in beans. Sympathetic buying in surrounding pits put the corn market higher, rye was also fairly strong, and the whole commodity market here had a better undertone than it did last week. May wheat also was up in sympathy with the general firmness in the market, but flour demand was inactive, and practically no business was reported put through over the long holiday week-end.

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CHICAGO, 4

April 3, 1956

The overnight weather was better than had been expected, and some nice moisture was reported over most of Nebraska, Kansas, and Oklahoma, except that the southwestern section of Kansas, western Oklahoma, and Texas were skipped, but eastern Kansas was particularly favored, and there was over 2 inches rain at Topeka, Kansas, and 1 1/2 inches at Wichita. Some light snow fell in northwestern Kansas. The five-day forecast suggests that there may be relief in western sections of Kansas and Oklahoma, moving eastward; therefore, there has been some improvement in the outlook.

However, not much attention was paid to this factor as a good many people are being influenced by possible farm legislation, and a number of services in Washington insist that while the program now being prepared is unsatisfactory to the administration, the President may have to accept a compromise. There is talk that supports for basic commodities may be somewhere in the neighborhood of 87 1/2% as against present thinking of 90%. It is difficult for us to share this view. We realize that many people claim that the President does not have time to study all the "ins" and "outs" of agriculture, but the simple truth is that Mr. Eisenhower has stated more than once that he has given more time and study to the problems of agriculture than to any other single domestic subject. Furthermore, he must be influenced by Secretary Benson's views, which have been stressed so often, and are being played up in almost every public utterance. His philosophy is that we have built a smoke screen of fallacies around farm policy problems, and Mr. Benson maintains that it was the insatiable demands of war and wartime inflation which gave us high prices for farm products, so that farmers could sell their goods in the marketplace at or above support levels. But he also insists that farmers' prices would have been higher yet had it not been for price ceilings. He feels that no one person or no group has a right to claim credit for those high prices unless he is willing also to claim credit for the war and its misery and its bloodshed. He has stated unequivocally that in every year but one since 1947 farm income has declined, and that in all these years until mid-1955, high rigid price supports were in effect. It is under such price supports that our present farm problem developed, and Mr. Benson states that any farm policy that is founded upon such fallacies will in the end depress farm income more than it will raise it, and it will destroy their freedom of operation on every farm and every ranch in the U. S. Reading these statements carefully, we believe we have some reason for detecting what the President is apt to do with the Farm Bill if it comes to him in the proposed form now being worked out by the House and Senate conferees.

When our market opened this morning, there was buying of May wheat by an export house, while July wheat was taken by a large commission firm, which ran the market into "stops" and prices reached the highest level in some time.

Offers are being submitted overnight on 6 cargoes gulf hard wheat to Israel for April-May-June shipment. At the same time Iran is inquiring for 5 cargoes hard wheat also for gulf shipment.

Primary receipts of wheat amounted to 1.2 million bu, which was practically the same as last week, and also last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 306,000 bu, the bulk of the decrease was at Minneapolis.

Trade was not as active as yesterday, and after early strength, which we mentioned, there was some profit-taking, but the May wheat gained considerably on new-crop months. There is talk that some of the red wheat presently stored in this market is being offered to exporters, and while we have not definitely heard whether a trade of this kind was consummated, it at least brings to mind that Chicago may have very little free wheat for delivery in May. There was considerable buying of May wheat by an export house. It was also claimed that Formosa had purchased two cargoes of Pacific Coast soft wheat, together with other commodities. Milling demand remains rather slow, and according to The Southwestern Miller, only an occasional small to moderate lot of hard winter flour is being sold. Corn and oats were somewhat reactionary, but this was normal as those cereals have advanced quite a little during the past few days. The Chicago corn-hog ratio last week was 10.7 vs 10.3 a week ago, and 11.8 a year ago. Beans were also less active, and in spite of the advance we did not hear of any appreciable increase in country selling. Actually there were said to be down-state processors who may have been taking some beans out of Chicago where it had ex-barge billing. There was also an unconfirmed report that some beans presently in the Northwest might be coming to Chicago.

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CHICAGO, 4 April 4, 1956

Late yesterday word came from Washington that the Senate conferees had agreed that the government must support prices of feed grains. The proposal was to increase these supports from the previous level of 70 to 85% of new parity, which would probably give the President an additional excuse to veto the measure if it came to him in that form. We can ill afford to have large surpluses of feed stocks built up again, which in the long run would mean greater accumulations of unmanageable supplies. It is unfortunate that the very men who are trying to help agriculture are not thinking in terms of secondary consequences, but we have never seen an occasion yet when prices were held up artificially that the promoters of such a plan were able to visualize fully what the dire consequences might be. We shall not review here the Cuban sugar situation, nor the Brazilian coffee valorization. We all know the sad results of the English attempt to stabilize rubber prices, and the more recent attempts of the American Farm Board to prevent wheat declines. Very often these political ventures, which appear right in theory, do not work out as planned. It took us several years to pay the full penalty for violating all commercial laws in withholding our surpluses from export channels. It is not difficult, therefore, to understand why experienced grain men in this country have a natural dread of any artificial scheme of price-fixing. The very threat of substituting political laws in place of economic laws has a certain horror for us all.

This morning we learned that the cost of farm price props had risen in February to a record of $8.9 billion. This was the seventh consecutive month of increases, and compared with $7.4 billion at the end of February 1955. The CCC's borrowing authority was strained during the month. It hit $11.5 billion of its authorized $12 billion in use. An official stated that the Corporation will get through this fiscal year all right, but the Department has served notice on Congress that it will probably request an increase in borrowing power. Certainly there must be enough seasoned bankers and economists to wave the flag and to advise Congress that such practices as these cannot continue indefinitely. The inventory at end of February included 846 million bu wheat, and we presume that even this figure will be increased as soon as defaults on the 1955 crop become known, which simply means that almost the entire carryover is in government hands.

There had been very little rain overnight except in the corn belt east of the Mississippi but the Southwest was mainly clear, although the winds had subsided. The outlook is for generally fair and slowly rising temperatures tonight and Thursday for Kansas, Oklahoma, and Texas, and this was somewhat disappointing, as the five-day forecast had indicated further precipitation, which may still come.

Primary receipts of wheat amounted to 851,000 bu, which was a little more than last week and compared with 466,000 bu last year. Kansas City and Minneapolis stocks so far this week show a small decrease, the decline at Minneapolis offsetting Kansas City's increase.

Trade was reasonably good at times, and there was considerable action in our May wheat, which became very strong. This tendency started yesterday, and in the past two days the difference between May and July wheat has widened about 5¢ per bu on fears that there may be very little free wheat here for the next delivery period.

At his Press Conference the President made several references to the Farm Bill. While recognizing there were problems he traced the declines in price to surpluses built up by high rigid supports in the past. He also stated he was plainly dismayed that the Farm Bill has now been adorned by so many amendments, and claimed some of them were clumsy and others even worse. The one most unacceptable to the Administration, would junk their program of flexible price supports and restore high rigid supports on basic crops. However, he deferred additional judgment until he sees what the Bill is in final form. However, he wanted legislation that would be as sensible five years hence as it is today.

New-crop wheat futures were up in sympathy with May, and the trade seems a little more friendly to wheat on the theory that some of the recent export business is coming out of private stocks and not being furnished from CCC holdings. Corn was very firm, and there were reports that U K had bought fair amounts of corn, while Italy purchased a cargo of #1 dark hard wheat, shipment by May 15th. Beans advanced considerably, and one analyst looks for small supplies at the end of the season on the theory that larger amounts will be needed for seed, and that our crushings will continue to be liberal.

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CHICAGO, 4 April 5, 1956

In the free world (except for the U. S.) wheat production is up 28% as compared with the prewar average (1935-39). On the other hand population is up only about 18%. In the U. S. wheat production has been cut to about 24% above prewar whereas population is up 27%. We have purposely brought about production adjustments carried out through a program of acreage allotments and marketing quotas, which were made necessary by large supplies that had accumulated by 1954, as a result of successive large crops combined with declining domestic use and exports. In general, importing countries are encouraging large wheat crops because they want to attain greater self-sufficiency in food, plus reserves for emergency. Strangely enough, in most of these countries producers are guaranteed prices that are above the U. S. support prices, and considerably above the cost of imported wheat.

We have two striking examples-- in Turkey the shift from an importer to an exporter was brought about by increasing acreage from 9 million acres in 1935-39 to 18 million in 1955. Average yield per acre showed a slight decrease from 15.1 to 14.6 bu per acre. France, on the other hand, acquired an export status through greatly increased yields. These amounted to 34.1 bu per acre in 1955 vs 22.8 bu per acre before the war. Yet, the 1955 sown acreage was 1.3 million acres below 1935-39. In the Communist Bloc production has not kept pace with population. In 1955 it was about 11% above prewar compared with an indicated population increase of about 19%. However, the 1955 crops show increases over those of recent years. The Soviet Union officials report an increase of 27 million acres in spring wheat. The end of the season wheat supplies carried over by the U. S., Canada, Argentina, and Australia into the 1955-56 season totaled 1,688 million bu -- the largest of record.

It is unfortunate that we cannot stimulate foreign buying to a larger extent. There seems to be a limit beyond which importing countries do not seem interested in buying wheat even under the most attractive terms. The USDA feels that world exports may not go much above the present level of 900 million bu to 1 billion bu. Assuming that world exports do run about 950 million bu this season, the U. S. may move about 275 million bu or 29% of the total world trade, which would be about the same as last season. Since 1945, we have moved much wheat under the Economic Aid Program and in relief shipments. In recent years we have also employed various surplus disposal programs, including bartering and sales for local currency. Furthermore, since 1949 we have subsidized our exports of wheat and flour moving under IWA. Since 1953 we have also increased shipments outside of the Agreement. These subsidies, which averaged about 62¢ per bu during the six years ending July 31,1955, were claimed necessary if U. S. wheat were to be competitive on world markets. There seems very little likelihood at this time of any sizeable acreage reduction by other major exporting countries, nor do importing countries show any inclination to curtail their production. Thus, unless there is widespread crop failure, or unless measures are taken to increase the utilization of wheat, the world's wheat supplies and ours may continue at high levels for a long time.

There was nothing new in the weather forecast to indicate relief from the present dry condition Southwest, and this, together with a growing feeling that the President may accept a Farm Bill providing for higher supports, brought buying into the market, and prices were generally higher. In addition it was announced that Italy had been authorized an ICA purchase for over $4 million in cottonseed oil or soybean oil which is over and above any agreement or negotiation previously reported. For weeks the trade had heard that Italy would satisfy her requirements by purchases of cheaper oils outside of the U. S., and by previous indifference on part of Italy, many in the trade were inclined to accept this implication, but signs now are that Italy will not only take all of the U. S. allocation, but will attempt to take much more from here as well.

Primary receipts of wheat were 884,000 bu compared with 1,185,000 bu last week, and 704,000 bu last year. Receipts of corn were 1,127,000 bu versus 1,071,000 bu last week, and slightly over 600,000 bu last year. So far this week wheat stocks in Kansas City and Minneapolis show a net decrease of 87,000 bu.

Buying in wheat was concentrated in new-crop months which gained considerably on the May. Market sold off rather sharply near the close and best prices were not maintained.

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CHICAGO, 4

April 6, 1956

The two dominant factors in the grain market at the present time are: First, the continuation of dry weather through many areas of the winter wheat belt, particularly the southwestern section, and the five-day forecast does not suggest any moisture throughout that part. Most of the weekly state reports issued the last few days point out that crop conditions have a wide variance, with southwestern Kansas, most of Oklahoma, the panhandles of Oklahoma and Texas experiencing dust storms and depletion of moisture. There are even some complaints being received of lack of moisture in parts of the corn belt, which may retard planting. However, this is rather early, but speaking for winter wheat some timely moisture will have to be received int he near future.

The other factor, and one that is being more closely watched, is the pending Conferees' Farm Bill. It is hoped that by the end of this week the report will be completed to present to the two Houses of Congress; so possibly by Monday we may have some information as to the contents of same. While nothing definite is know, it is thought at the moment that supports may be at 87 1/2% of parity instead of 90%. We fully realize it is a political year, during which many things are done for political expediency rather than for soundness of purpose. Even though the Conference Committee may give the President the soil bank provisions, it still remains a moot question as to whether the bill will be acceptable in view of his past recommendations and those of Secretary Benson. It is not clear at the moment whether the old method of figuring parity will be reinstated or if the new method will become effective. Based on around 87 1/2% of parity, the difference between these two compilations could amount to about 13¢ per bu, as far as wheat is concerned. At this date it is questionable whether the soil bank could be effective this year. The President of the American Farm Bureau Federation claims that it is too late for farmers to change spring planting plans, and if legislation were enacted next week it would take at least 60 days to put the soil bank plan into effect, and by that time farmers would have to plow up much of their crops in order to participate. Mr. Shuman stated that farmers would be within their rights to hold Congress accountable for any bad farm legislation they might pass now under the guise of the urgency of the situation.

Secretary Benson, commenting yesterday in a speech at Salt Lake City, again stressed that unsound measures written into the new Farm Bill would increase surpluses as fast as the soil bank would reduce them, and that farmers again face another year "under the lengthening shadow of nearly $9 billion in surplus farm products unless Congress speeds passage of the administration's soil bank." He further reiterated that political opportunists have capitalized on the popularity of the soil bank, and proposed to tie to its coat-tails a variety of unsound measures. These measures, in part, he pointed out, are mandatory 90% of parity supports for the basic commodities, dual parity for wheat, corn, cotton, and peanuts, mandatory support for feed grains, and a boost in price supports for dairy products, and that this program is a threat to the American way of life. He pointed out that we want reasonable reserves in this country, but the present excess is so great that if we were not to harvest another bushel of wheat or a pound of cotton this year we would still have more than enough for our own use and for exports. Surpluses have accumulated largely through maintaining wartime price supports in time of peace and through price supports, which stimulated production and lost markets. Accumulated surpluses mean low prices, so these rigid price supports intended to increase income have exactly the opposite effect than that which was intended. Of course, it does stand to reason that if high support loans at 87 1/2 to 90% of parity were the answer to our farm problem, we would have no problem whatsoever today.

Grains were all strong during the major portion of the session, led by beans and their by-products. However, the sensitiveness of the market to political news was well demonstrated today when during the latter part of the session a statement was made by Senator Aiken on inquiry from the Press indicating that he did not see how the President could sign a 90% support bill unless "he has completely reversed his character, disposition, or his knowledge of farm problems." This statement immediately led to selling in all pits. According to The Southwestern Miller considerable family flour was sold by National Brand mills ahead of a 20¢ advance which became effective at the opening today. There was some export business of corn reported today, and we also understand that some new-crop beans were sold by one of the exporting houses, although excellent recoveries took place in all grains.

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CHICAGO, 4 April 9, 1956

Late last week the Conferees completed their work on the Farm Bill, and immediately following this action President Eisenhower met with Secretary Benson to discuss the issues. There was no direct comment except that the Secretary when leaving the White House stated that the bill in its present form was unacceptable to him, but nobody knows what action the President will take should the legislation reach his desk in its present form. Meanwhile, however, the Chief Executive met with GOP Congressional leaders early this morning, and decided to offer a compromise Farm Bill on Wednesday. After meeting for an hour and a half, Mr. Eisenhower stated that he does not believe the Conferees' report meets the test of a good bill, nor that it will give real and permanent assistance which is so necessary for the security of our family farmers and for all Americans. Administration leaders said they would try to recommit the Conference Bill when it comes before the House on Wednesday, with instructions to bring it more in line with the administration's position.

Everyone knows that agriculture is not sharing properly in the general industrial prosperity of the nation, and on several occasions Mr. Benson himself has pointed out that more Americans are at work earning more, producing more, investing more, and building more than ever before in our history. On the other hand, many of our families who own farms and ranches are in trouble. Their costs are too high and their prices are too low. In other words, surpluses are smothering both farm prices and income. With this in mind we should not be surprised if a compromise is reached. The President himself admitted that he could not expect all of his recommendations to be approved without having to yield some ground, but this is an election year and if he has to accept a somewhat higher basis for loans on basic commodities on new parity it seems conceivable that he might give in, particularly as this is the plan for just one year.

American wheat growers have cut harvested acres from 71 million in 1952 to 47 million in 1955, a reduction of 24 million acres, yet the carryover reserves rise, and by next July we will attain a new high for all time. Even the increase in population has not done much yet to overcome farm efficiency. Since 1940 the population of the U. S. has increased by 35 million people. This is the equivalent of more than double the current population of Canada. The administration has pointed out that the whole Mid-West farm economy, which could be and should be stable today is disrupted because of the effect of rigid supports. Nevertheless, this is an election year and it may require some "give and take" on both sides if we are to have an agricultural bill at all this year.

Before our market opened this morning there had been some unexpected rains reported over wide areas. Dust was still reported blowing in Texas and over the Panhandle of that State but to the north a storm center suddenly developed which caused considerable rain and snow over Kansas and parts of Oklahoma. Heaviest moisture fell in north central and northwestern Kansas, but there were other territories visited by rain or snow, and it now looks as though we may have further snows over western sections of the Southwest and rain with thunderstorms in central and eastern portions this afternoon and tonight, clearing by Tuesday.

Broomhall reported that of the 6 million acres winter wheat abandoned in France, about 3.7 million acres would be planted to spring wheat. If this is the case, it would givet hat country total wheat acreage of 8,650,000 acres from which a crop of 257 million bu could be harvested compared with 378 million in 1955 and 387 mil.in 1954. As an offset there is said to be a substantial carryover from the last crop, although France has no large elevators in the country for storing wheat.

Chicago wheat stocks declined to 5.6 million bu, which was a decrease of nearly 700,000 bu for the week. Corn stocks increased, and including the afloat supply, there is nearly 17 million bu held here. Oats decreased, leaving only 1.7 million bu in Chicago, while beans increased 75,000 bu to a total of 7.1 million bu. The U. S. wheat visible decreased 3.1 million bu.

Trade was much less active than it was on Thursday and Friday of last week. Wheat was naturally influenced by the moisture reports, and during the session there were warnings of heavy snow over northeastern Kansas, extreme southeastern Nebraska, as well as north central Missouri, and southeastern Iowa. The wheat market has had a big advance, and these reactions are only normal. When the leading cereal declined it naturally influenced other grains, but rye and beans held relatively firm, although the nearby bean delivery, which is May, showed a widening tendency as compared to the later months. The U. S. bean visible decreased 836,000

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CHICAGO MERCANTILE EX.

CHICAGO, 4

April 10, 1956

A Presidential veto threat to the Farm Bill is still in the picture. House Minority Leader Martin quoted Mr. Eisenhower yesterday as saying that the House-Senate conferees' bill is not a good one and will not give the real and permanent assistance which is so necessary for the security of our family farmers and all Americans. There was further confirmation of such thinking this morning when dispatches told of administration aims to seek Congressional approval to compromise the bill, particularly with respect to support prices for wheat and corn in an effort to establish increases amounting to about half as much as the pending Farm Bill. This last minute effort is said to have less than a 50-50 chance of winning approval, but Joseph Martin again stated that they were willing to compromise but not willing to surrender. The boost on minimum basic crops this year is to be either 82 1/2 or 85% of modernized parity and would be in lieu of the rigid 90% of dual parity provided by the bill. Martin further stated that unless the Republican move to revamp the election-year farm bill succeeds, he is reasonably sure that President Eisenhower would veto it.

The above plus some additional rains over parts of Kansas and Oklahoma was responsible for a lower opening this morning. Nice rainfall was reported at Dodge City, Kansas, where nearly 1/2 inch fell. There was about the same at Enid and nearly 1 inch at Herington, Kansas. Garden City, which is also a good spot, had over 1/2 inch. The five-day forecast suggests that some scattered showers will occur and this time may hit the Texas Panhandle.

Late yesterday we had figures on corn impoundings, which showed a large increase for the month, and this is the fourth consecutive month that the amounts have been greater than a year ago. There is now 341.2 million bu corn under loan, which compares with only 157.8 million bu a year ago and a final 1954 figure of 258 million bu. In wheat there is 318 million bu impounded, but 7 1/2 million has been redeemed, so that the net figure is only about 310 million bu. Even this, however, plus the 625 million bu which might be domestically consumed, would practically account for the crop of 938 million bu. However, these preliminary surveys do not always work out as they appear and last year the theoretical situation on paper looked very tight, and yet we had a small carryover of free wheat. It should also be noted that 11.6 million bu soybeans had been withdrawn from support and about 1 1/2 million cwt of grain sorghums.

According to Broomhall, it is believed that considerable quantities of Canadian rye have been purchased for shipment into the U. S. None has been shipped here since last October. In export circles there were reports that the U. K. had bought parcels of soft wheat and corn.

After the close of the market this afternoon we shall have a crop report, which will give us a figure on winter wheat production, and also the percentage of abandonment. The report will also show condition of rye and pasture and will tabulate stocks of grains on farms.

The Chicago corn-hog ratio this week stands at 10.8, which is just a shade better than last week and compares with 11.9 last year.

Primary receipts of wheat were 1.2 million bu, a little more than last week, and compared with 793,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 90,000 bu.

As aforestated, wheat was weak early on the possibility of a political compromise, but later on May wheat became very strong, and U S D A stopped export sales of their soft red wheat from the East Coast. This was accompanied by a statement that their stocks were about sold out. It will further be seen that the amounts of free wheat here in Chicago are down to very small proportions. We know of at least 300,000 bu red wheat that has been sold but not yet shipped. Federal elevator stocks of #1 and #2 red winter wheat were listed this week at 1,112,000 bu. The CCC stated that they had 556,000 bu of red wheat here which if deducted from the listed federal stocks would reduce the free holdings to about 556,000 bu. The strength in May wheat affected for a while the deferred futures also. Beans after some hesitancy moved into new high ground on the crop, although new-crop months were weak. Exports of 1 1/2 million bu during the week were larger than expected, and this caused a considerable amount of local buying. Corn had also been weaker early, but when the rest of the list advanced reactions set in and the close was quite firm. There was not much improvement in flour sales, but The Southwestern Miller said that the trade was watching prices closely, somewhat encouraged by crop improvement as a result of recent moisture.

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CHICAGO, 4

April 11, 1956

After the close of the market yesterday, we had the government report, which gave crop production for winter wheat, and the forecast was for a yield of 716.4 million bu. This is, of course, very preliminary, but the indicated yield is 15.9 bu per acre, which is exactly the same as was obtained last year, and it also corresponds identically with the ten-year average. The abandonment was given at 17.7%, which was somewhat less than last year, but this is higher than normal. The rye condition was given at 82%, as of April 1st, which is one point decline from last season. Looking at the wheat situation, a crop of 716 million bu compares with last year's final figure of 705.3 million bu, and the ten-year average crop of 872 million bu. It was pointed out that March weather reverses are by no means decisive in comparison with the influences that are yet to come. In each instance they appear to be less severe than early reverses of last year, which were overcome. We did have many dry areas during March, the principal ones being in the central and southern Great Plains regions, but despite the dust storms which attracted national attention to this area and took out some fields, there was much wheat in the Great Plains on April 1st that was still holding on with the possibility of smaller abandonment than last year should rains come soon.

It is, therefore, quite encouraging to note that the map this morning is quite hopeful for further moisture in Kansas. There is a low developing over that area and both the official forecaster and our own weather man expect rain late tonight or Thursday, and probably snow in northern sections of Kansas. There is also a chance that relief will come to Oklahoma, but as far as Texas is concerned weather will be mostly fair, with higher temperatures tonight and Thursday.

In the winter wheat estimates for the various states, there was no indicated change for either Nebraska or Kansas, but rather the same figure was used that had been given in December. Oklahoma showed a decline of about 5 million bu, but despite the dust storms there was an increase of nearly 9 million bu for Texas. Of course, they had some fine rains earlier but more recently it has been extremely dry in that State. Illinois showed an improvement of nearly 10 million bu compared with December, but this was more than offset by a decline of 13 million bu for Indiana, while Michigan showed no change at all, and there was a slight decline in prospects for Ohio. Conditions on the West Coast are not favorable, and the State of Washington has an indicated reduction of 10 million bu compared with last December, although we hear the possibility that some spring wheat may be seeded out there in sections where losses have occurred.

The government also published figures on the amount of grains on farms. There is about 7 million more wheat in those positions than a year ago, with large quantities still held in the Northwest. North Dakota still has 52 million bu remaining on farms, and Montana slightly more, but for the Southwest amounts generally speaking are small, and in Kansas there is less than half as much left back as there was a year ago. In the soft winter wheat states, there is less wheat remaining on farms than on April 1st, 1955, and probably this is the reason the government has stopped selling from its holdings, having indicated yesterday that their remaining supplies of soft wheat were very small. It looks as though the amount of free wheat in Chicago has also been reduced materially, with not much remaining for delivery on May 1st contracts.

Primary receipts of wheat were 715,000 bu vs 851,000 bu last week and 405,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 60,000 bu.

Most of the activity today centered in beans, and that commodity opened strong on the light farm stocks, which are only about 60 million bu compared with nearly 114 million bu a year ago. However, it does look as though supplies in other positions would be a large offset. It was also thought early that France might buy 635,000 bu of beans here for nearby shipment, but the scheduled purchase was postponed due to the advancing market. After mid-session there was word from Washington that GOP leader, Joseph Martin, figured it was an uphill fight to effect any change in the Farm Bill that would be more pleasing to the President. Democrats are claiming victory, and say they have enough votes within their ranks without any Republican help. Martin did state frankly that the Administration would not offer more than 82 1/2% of parity as a substitute for the 90% rigid support presently provided for. In spite of the sharp advance in beans, other markets were indifferent. The deferred futures of wheat were a little influenced by the strength in May, although best prices did not hold. There was some local selling of corn, and other interests were also on that side of the market.

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CHICAGO, 4

April 12, 1956

The Farm Bill in almost its original form was passed by both House and Senate yesterday. This leaves the final decision to the President, who may sign or veto the bill. From his vacation quarters in Augusta, Georgia, he has stated that the compromise farm bill passed by Congress does not meet the test of a good bill, and according to House Speaker, Joseph Martin, it was stated that without disclosing any confidence, he knows that Mr. Eisenhower will not sign the bill. We realize that this is an election year, and that undoubtedly there will be great pressure to try to appease farmers. On the other hand, to forecast the future, we must review the past. Mr. Eisenhower, above all, is a soldier and statesman. He has been under fire often, but never surrendered when important principles were at stake. He has steadfastly upheld the policies of Mr. Benson, and we believe has in almost all cases concurred with the views that the Secretary expressed.

Within the last week Mr. Benson stated, in a speech at Salt Lake City, that farmers' markets were smothered by the greatest accumulation of farm commodities in all history. He went on to tell that this nation wants reasonable reserves, and we must have them, but our excess is so great that if we were to harvest not a bushel of wheat or a pound of cotton this year, we would still have more than enough for our own use and for exports. He also spoke of the surplus which had become a burden -- a grevious burden -- upon our farmers themselves. These surpluses are far in excess of any reasonable estimate of need. To farmers they mean low prices, reduced acreage, and shrivelled incomes, and Mr. Benson's major concern is and shall continue to be the welfare of farmers. He claims that surpluses were accumulated largely through mounting wartime price supports in time of peace. It was done largely through price supports, which stimulated production and lost markets. He insisted that rigid wartime supports were enacted to encourage production in wartime. However, when continued in peacetime they have continued to stimulate production, which is no longer needed. Accumulated surpluses mean low prices, so these rigid supports, he concludes, which are intended to increase income have an effect exactly opposite of that which was intended. There are some things beyond the power of man to set aside, and this is true of economic law; it is true of moral law; the entire history of mankind is eloquent witness. Mr. Benson claims that we may seem for a time to thwart these forces, but only for a time.

We could go on with more thoughts in this address but we feel we have conveyed the general idea that was intended, and we find it difficult in our own mind to believe that the President will be swayed by political pressures. However, nobody can be entirely certain, but from the action of the market there must at least have been others who shared our views, as there was no rampant buying following late action yesterday by our legislative bodies.

There had been no rain overnight, which was disappointing, but the forecast is still reasonably favorable for precipitation in Kansas and Nebraska, but not so promising for Oklahoma. There may be some moisture in Texas but it will probably fall in eastern districts, which is not helpful to the Panhandle acreage, which has been so dry and dusty. One of our friends in Hutchinson tells us that recent moisture put wheat in the central areas of Kansas in fine shape. The plant is not too big but all it will need now is normal May moisture, and that party is predicting a crop of 150 million bu or more for the State.

Primary receipts of wheat were 976,000 bu compared with 884,000 bu last week, and 726,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 52,000 bu.

Markets were never too strong, and there were no great surprises in legislative developments. During the session there seemed to be liquidation on the possibility of a Presidential veto. Corn at one time became very weak running into some stop-loss selling, as disappointed holders evened up. The 1956 soybean planting season is now under way, and beans are already being planted in the Lower Mississippi Delta, and a big part of the acreage in the South will be planted within the next three weeks. By mid-April planting will generally get under way, and thus far there is nothing to indicate any great variations from the normal late May-early June planting in the northern bean belt. Bean prices declined at times, but there was no sharp reaction in the nearby months. In fact, they were independently strong. May wheat was lower, although it still maintains a big premium over new-crop months. Winnipeg wired us that there was commission house selling in oats, barley and rye.

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CHICAGO, 4

April 13, 1956

The New York Times carried a leading article on its front page, which seemed to be extremely definite that the President would veto the Farm Bill, and that he would probably go before the American public sometime next week, perhaps on Thursday, to tell why he could not conscientiously sign it. This, of course, would take great courage in an election year, but Mr. Eisenhower has never lacked that trait. Furthermore, it is quite doubtful whether he could honestly sponsor legislation, which in his view fell short of accomplishing its purpose. It is quite likely that the President will address the nation by radio and television explaining his reasons for vetoing the present measure, but at the same time urging Congress to give immediate help to farmers.

This was the reason for considerable weakness when our market opened, and most of the buying during the past two weeks has been based on the possibility of a return to rigid high supports. There was no rain overnight and indications are not bright. The weather forecasts however, have been very bad lately, and apparently it has been a difficult map to gauge. There are still indications that by next Tuesday or Wednesday we shall have rains in parts of the Southwest, but probably more precipitation in eastern sections of the belt than in the west.

In many of our letters we have called attention to the fact that gross farm income had declined very little since 1947, and actually American farmers are getting almost as much return for their products as they ever did. On the other hand, production expenses have risen greatly and are now about $22 1/2 billion, which is an increase of $5.6 billion since 1947. In analyzing these higher costs, we find that there have been three types of expenses that have gone up every year since 1949, at least in our part of the country, and we presume that this has been quite general: First, taxes on farm property have increased; secondly, interest on farm real estate mortgage debt has risen; and lastly, depreciation on farm buildings and equipment has likewise added to his troubles. There are two other categories of expense which have risen substantially from 1949 to 1952-53, but since then have leveled off. Dollar outlays for fertilizer and lime doubled in each of the corn belt states of Iowa, Illinois, and Indiana between 1949 and 1953, but then remained about the same in 1954. The dairy belt states of Wisconsin and Michigan had the same experience that outlays rose by about 50% between 1949 and 1953. Then there have been outlays for the repair, maintenance and operation of buildings and equipment, and these costs have risen from 20 to 40%, during the period under discussion, although there has been a slight decline since 1954. Two types of expenses remained virtually stable throughout the period -- these are seed costs and hired labor. About the only categories of expense that showed any really downward trend were feed costs, livestock purchases, and net rent paid to non-farm landlords. When we realize that production expenses in 1952 were as high as $23 billion, and that during the depression period, 1932, 1933, and 1934, they amounted to only about $4 1/2 billion, inflationary factors and machinery repairs have been tremendous and played an important part in cutting down the realized net income of the farmer. The fact that net farm income was a little less than $11 billion last year compared with a record of over $17 billion in 1947 may be ascribed almost entirely to added outlays for getting farm work accomplished.

According to Broomhall our wheat and flour exports to-date have amounted to about 215 1/4 million bu vs 208 million a year ago. He also mentioned in his gossip that damage in Europe from the February floods will probably fall considerably short of earlier calculations. Seasonal weather is now reported in most countries on the Continent.

Primary receipts of wheat were quite heavy and amounted to 1,180,000 bu compared with 879,000 bu last week, and 667,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 65,000 bu. We shall undoubtedly have a larger decrease in the visible than a year ago when it amounted to 422,000 bu.

Markets, as we stated earlier, were mostly weak on the prospect of a Presidential veto, but at times old crop bean futures showed independent strength, and corn was relatively firm as country offerings were light. In rye there was no support and early selling orders caused a sharp decline, even though Winnipeg held reasonably well. It was reported that France had bought 8 cargoes of red wheat from here for May shipment, and are expected to buy 2 more cargoes

next week. This is keeping the May future comparatively tight.

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CHICAGO, 4

April 16, 1956

At noon Washington time, President Eisenhower vetoed the Farm Bill. In view of a political year and terrific pressure brought upon him, he showed great fortitude, and in a strongly worded message said the soil bank proposals would be constructive but charged other provisions of the Bill would result in equal or greater incentive to increase production and accumulate more surpluses. The features of the bill specifically unacceptable were return to rigid 90% of parity price for major commodities and dual parity for wheat, corn, cotton, and peanuts, as well as mandatory price supports for feed grains. However, the Chief Executive outlined the steps the administration will take on its own to bolster farm prices- a proposed increase in price supports on major crops to at least 82 1/2% of parity. The wheat loan for this year will be set at $2.00 per bu on the farm, which would compare with $1.81 previously announced. The farm corn support price is to be $1.50, or10¢ higher than previously announced. He promised assistance to strengthen the price of perishable farm commodities. He further requested Congress to pass a straight soil bank bill as rapidly as possible.

As the defeated Farm Bill would have considerably raised parity for one year, it may be interesting to note that on March 13th, the Canadian House of Commons defeated a motion for a system of parity prices on farm commodities. The Minister of Agriculture of our Northern neighbor is greatly opposed to the parity concept,and quoted one of the larger farm bodies in the U. S.-- that the parity price formula has outlived its day of usefulness and should be abandoned in the interest of gearing a farm program to present economic realities. It is not good economics to rely upon an automatic formula for price relationshops, which in its very nature is backward looking, and tends to impair the flexibility of economic adjustment to changed, and ever-changing, conditions. Quoting from a Canadian authority, the old pattern of agriculture has changed, its efficiency has increased, and is increasing tremendoudy, so that historic price comparisons in most cases are not sound in any sense of the term. Parity prices imply an equality with something, and it is that very something which represents a problem, for there are as many versions of parity as there are ideas what it should be equal to and during what period. The Canadian authority asks: "With what do the proponents of parity seek equality and on what basis? On the basis of a certain unit, such as the bushel, on the basis of the returns from a certain piece of land, on the basis of cost of production, or on some other basis?" In Canada they do not feel that parity is the answer to the farm program. Naturally all producers are anxious to see what can be done to protect themselves against disaster, and some program must be devised which will provide the farmers with their social security guarantee, which they require at times when prices become duly depressed.

A good many of these thoughts have been advanced by the Searle Grain Company, Ltd., who feel strongly that the full impact of abnormally low prices, if they occur, should not be permitted to fall on the western grain economy alone but rather should be spread through the entire economy, and this needs very careful planning to offer the proper solution.

Primary receipts of wheat totaled 2,466,000 bu compared with 1,961,000 bu last week and 1,483,000 bu last year. While the visible supply figures were not posted during the session, Chicago wheat stocks showed a decrease of 142,000 bu, leaving a total here of 5,524,000 bu. Corn stocks decreased 598,000 bu, leaving a total of 16,332,000 bu. Beans showed a decrease of 133,000 bu, and there is still practically 7 million bu in this market.

According to Broomhall an increase in acreage is expected in Argentina, while Australia at the moment is blessed with an ample supply of moisture, which may induce farmers to put in a larger acreage than appeared likely a few weeks ago. Seasonable weather over the Continent has facilitated planting of spring grains, and some of the freeze damage is being minimized.

Our market was entirely affected by Washington news. During the early part of the session when the veto was expected grains declined, but when the veto massage came out, with the establishing of higher support prices for this year by the Chief Executive there was broad commission-house and local buying of all grains, and markets turned extremely strong. Flour demand was dormant over the weekend. We did not hear of any export wheat sales, but Ireland bought a cargo of #2 yellow corn.

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CHICAGO, 4 April 17, 1956.

In a very masterful way, President Eisenhower appeared before the American public last night via radio and television to explain the reasons he was forced to veto the Farm Bill, because as he stated: "It was a bad bill. It was confusing, in some aspects self-defeating, and so awkward and clumsy as to make its administration difficult or impractical." He made it very clear that without a new Farm Bill the Administration would use all tools at its command to help farmers get more of the income they deserve on this year's crop. He is also asking Congress to enact the soil bank originally requested by him in January. This part of the program was favored by both parties in Congress, and it is rather hard to visualize the refusal on part of Congress to act further, particularly in view of the fact that the President stated it would be necessary to have the soil bank passed at this session of Congress in order to plan next year's crop before any seeding is undertaken the latter part of this year. He further indicated that if the soil bank is passed, a 50% advance payment would be made to producers of grains who sign and agree to abide by the program. This would give them additional income in 1956. Secretary Benson issued the following comment yesterday: "Because we do not have the benefits of the soil bank on which we have been counting, we, therefore, plan to take promptly such alternate measures as the President outlines, and the technicians in the Department of Agriculture will take administrative action to implement the steps outlined by the President."

The Administration will shortly ask Congress for authority to sell another billion dollars of surplus stocks abroad for foreign currency, as that program to-date has almost exhausted the $1 1/2 billion authorized until the middle of 1957. Apparently the Administration will put pressure on bills which are in Congressto broaden the activity of the Agricultural Department money-lender to probably the tune of $90 million more in loans this year to finance farm operation and improvement. Also authority will be asked to make loans to part-time farmers, and also to lend money to farmers to pay off existing debts. According to a press dispatch, Mr. Benson intimated that if Congress refuses to approve the soil bank bill, under the existing program, $250 million a year could be used in splitting costs of soil-conserving practices.

In announcing loan prices the President stated that the administration soon will offer mid-western corn growers an alternate to the present system of acreage controls and flexible price supports. It is thought that this part of the program might call for the elimination of all corn acreage allotments coupled with price supports of 70 to 75% of parity. At the present time allotments are 43 million acres, which is about 13 million acres less than commercial corn growers usually plant. The present announced support for corn at $1.50 a bu is about 86% of parity. This could make a difference of approximately 30¢ a bu in the loan, depending which program the producer would follow.

Primary receipts of wheat totaled 1,516,000 bu vs 1,214,000 bu last week and 1,010,000 bu last year. So far this week there has been no net change in stocks of wheat at Kansas City and Minneapolis. The visible supply figures which were not posted until after our market had closed yesterday showed a decrease in wheat of 3,941,000 bu, leaving a balance of approximately 338 million bu, or 9 million bu more than a year ago. The visible of beans is about 16 million more than a year ago.

According to reports from our Northwest the past week has been too cold, windy and dry in eastern Montana and western North Dakota for seeding to be continued, although through that area some stations were reporting 70 to 75% of the wheat in the ground.

There was only a small amount of flour booked overnight, which was somewhat disappointing as mills had anticipated doing a heavy business as there had been final word on the Farm Bill. According to The Southwestern Miller the failure of the market to fall back on the veto cooled buying enthusiasm.

Markets were all very strong at the opening. No doubt there was considerable short covering on part of those who had sold on the expectation of the veto, but without taking into consideration the higher loan values set. However, enthusiasm died out during the session, and at the close wheat was actually lower, and also corn and beans lost part of their gains. It is reported that Austria bought a cargo of hard winters and a cargo of spring. Turkey received approximately $3 million allocations for bread grains, and Finland received a little over a million dollars for corn.

France bought 14,000 tons of corn.

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CHICAGO, 4 April 18, 1956

As it seems to be highly improbable that Congress can override the veto on the Farm Bill, political uncertainties which have played such a prominent part in the market the last few months are now out of the way, with the probable exception of the possibility of President Eisenhower's alternate program on corn, which would give the producer the choice between acreage allotments and a $1.50 loan or unrestricted plantings, and a loan somewhere around $1.20. Whether this program could be carried out without Congressional approval, we are not certain in our minds. As far as the soil bank is concerned, if now passed by Congress, can not have any effect on the 1956 crops. Therefore, from now on more attention will be paid to crop conditions and to the statistical position of the different grains.

So far this year the season has been an exceptionally dry one in the winter wheat areas and parts of the corn belt. Generally speaking, the weekly corn and wheat bulletin of the Weather Bureau points out that soil moisture deficiency has been intensified, particularly in southwestern portions, where some additional deterioration of wheat has been reported in northwestern Texas, western Oklahoma, and some adjacent territory. Specifically speaking, the Missouri weekly crop bulletin states that many communities in the central and southern counties reported much needed showers, while the northern third of the state remained extremely dry. Over 95% of the oats are planted but germination has been spotty. Plowing for corn and soybeans is well ahead of schedule. The Nebraska report is a little more optimistic, stating that most of the wheat made satisfactory progress due to moisture early in the month, the average condition for the state being slightly less than a week ago. Winter kill is not as much as has been expected. Iowa reports that preparation for seedbeds and the seeding of oats continue to show favorable progress in all parts of the state and is ahead of last year, while the Minnesota report points out that field work has been largely confined to the southeastern and south central counties, and compared with the usual progress at this season of the year is about average in the southern third of the state, a week later in the central third, and two weeks later in northern areas.

According to Broomhall, an increasing number of complaints are being received in European countries because of unseasonably cold weather restricting growth. While moisture supplies appear adequate, rains would be welcome in some countries. In the U.K. there have been general rains but rather cool temperatures and damage to fall-planted grains was less than feared earlier. More moisture is wanted in France, also warmer weather. Harvest in that country is expected to be much below average, as far as the wheat outturn is concerned, but larger barley and corn crops. Warmer weather is wanted in Western Germany. India has made satisfactory progress, and a good crop is indicated, despite earlier adverse weather. In fact, some sources anticipate a probable record wheat crop. Moisture is favorable for plowing in Australia and recent rains in the Argentine have improved condition of the seedbed for wheat and small grains.

Since writing the forepart of this letter the House voted to sustain President Eisenhower's veto of the Farm Bill.

Primary receipts of wheat today totaled 884,000 bu compared with 715,000 bu last week, and 1,236,000 bu on comparable day of last year. So far this week Kansas City and Minneapolis stocks of wheat show a total decrease of 262,000 bu.

The session as a whole was a very dull one, and trading was of much lighter proportion than for the past number of sessions. However, on breaks good support seemed to come into the pits. The last upturn in wheat followed an announcement that India and Washington have reached an advanced stage in informal talks of the purchase by India of 1 million tons of surplus American wheat valued at more than $60 million. Indian sources stated it is expected that if the deal is consummated India would pay in Rupees for the wheat, and this country would loan the Rupees back to India for use in Indian development schemes. It also should be borne in mind that this wheat will come from government stocks -- therefore, not a real market factor.

Bookings of flour were small, and we did not hear of any sizeable new export business today in either wheat or corn.

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CHICAGO, 4 April 19, 1956.

In vetoing the Farm Bill the President stated it was a "bad bill" and that it was not good for the economy of the country. Unfortunately the farm problem has been approached for many years from more of a political angle than an economic one. When the war emergency was over politics moved in, and by law discouraged the normal adjustments of a peacetime economy. Little attention was paid to the transformation that has taken place due to research and technology. The problem of depressed farm income is not a new one. It has been with us for several decades. It was behind the Granger movement of the 1870's and the Populist and Free Silver movements of the 1890's. After World War I, there was pressure for legislation as exemplified by the McNary-Haugen Bill, and the Farm Board was created under the Agricultural Marketing Act of 1929. We have improved livestock and plant characteristics, perfected insecticides, found methods of stimulating the growth of plants and retarding the growth of wheat. Through mechanization we have created a need for larger farm units and this has probably left over 2 million farm families stranded on units which are too small.

There are probably 3 million farm families with an annual gross income of less than $2,500, half of which are below $1,500. While their plight is serious, their specific problem is that they have been unable to adjust quickly to progress or to take advantage of it, and it would seem that this part of the farm population should be encouraged to find the most productive and remunerative outlets for their skills It might mean for the majority turning to off-farm employment either full time or in comparison with limited farming operations. For those who elect to remain full time in agriculture and give promise of success, they should be helped to increase the size of their farms and to catch up with the progress in terms of technical and managerial know-how.

The answer to the farm problem is not government, which is more cumbersome and it cannot function as dynamically or expeditiously as can private enterprise.

The Conference to consider the renewal of the International Wheat Agreement which expires on July 31st has now reconvened in London. Their earlier sessions were not too encouraging for a continuation of the agreement, particularly as it appears that England will again refuse to participate the same as she did in 1953. That country alone accounts for about 30% of the wheat moving normally in international trade, the British government's attitude so far has been that it would be necessary to restore government controls on wheat imports if they participate. However, efforts are being made by the others to reach an agreement although importing nations so far have intimated they want a reduction up to 20% in the minimum and maximum price. So far exporting nations have been unwilling to meet such a concession. Experience in the past demonstrated that during the period of scarcity following the war, when prices were high, importing nations took their maximum quotas. However, when prices fell quotas were not taken. Possibly the policy of the U.S. in selling wheat for currency of the importing nations has made it more difficult for the other exporting countries to dispose of their quotas. When the last agreement was signed, both Argentina and the Soviet Union refused to participate. However, from what we gather there is a little more interest on part of Argentina in joining a new agreement.

Markets were extremely strong today paced to a great extent by beans, and the old crop months of that grain went into hew high ground. Late in the session the Appropriations Committee of the House voted to give the Administration $1.2 billion for the Agriculture Department to use between now and December 31st to initiate an acreage reserve and a soil conservation program. However, uncertainties exist as to whether the Administration has the authority to institute this program without legislation, and also how effective it could be on further plantings of this year's crop.

We did not hear of any export business of consequence today, and milling business remains very quiet.

Primary receipts of wheat totaled 1,044,000 bu versus 976,000 bu last week and 1,006,000 bu last year.

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CHICAGO, 4

April 20, 1956

Dry weather in the Southwest is nothing new, and we have been more or less prepared for possible deteriorating conditions in some territories where even recent rains did not bring much relief, but more recently there have been reports also of the absence of sufficient moisture in parts of the Central States, which, of course, could affect not only the red winter wheat crop, but also prospects for corn, oats, and beans. We have found over the years that despite the so-called proverbial April showers, May is often a wetter month, and so there is no need to give up hope this early of getting enough precipitation to improve topsoil conditions, which have become serious in some sections. At the same time we recognize that all is not optimistic at this time, and even with the tremendous carryover supplies which we shall have in wheat and corn, there will be growing concern unless there is forthcoming relief within the next few weeks.

The situation in Canada is quite the reverse. The latest report from that country speaks of moisture conditions measuring 16 inches in the form of rain in Manitoba and other western areas. The writer, who just returned from Winnipeg this morning, was told they had one of the severest winters of record, with total snowfall of 90 to 100 inches in places, and there were still traces in the streets, despite a thermometer reading of 50 yesterday, as drifts had piled up in some sections, which had not completely melted yet. Flying over Manitoba the fields look quite wet, and it will probably be a few weeks before farmers can get into the fields. The greatest worry seems to be a possible flood, which, of course, could be avoided if there is a continuation of spring weather and clear skies. No apprehension is felt up there with respect to late seeding of crops, and in fact, there is, indeed, optimism that subsoil reserves are the best they have been in years.

Canada has been doing a larger export business lately in all grains than heretofore, which is fortunate as they have huge quantities of wheat still left in that country, and particularly on the farms of the Prairie Provinces. Producers still hold the equivalent of more than 80% of their 1955 wheat crop along with heavy quantities of other grains. In addition to 403.7 million bu wheat left back in the country on the farms, there is an additional 200.5 million bu held in country elevators. Taking stocks in all positions there was on March 31st, 751 million bu, which was the second highest in the history, and the largest for the last 13 years. Grain officials claim that a portion of these stocks have been sold and are awaiting transportation, but it is admitted that these reserves may influence negotiations for a new IWA agreement. Final attempts to break a price deadlock between exporters and importers are being made in London talks.

Winnipeg October oats are selling at only about 2 to 3¢ per bu higher than the price at which the government is buying from farmers, and it is not thought that many oats will be hedged by the Board unless there is an advance in the price level. With this in mind we feel that purchases made up there against sales of Chicago December might work out profitably, although one, of course, would prefer a good rain in this country to expect maximum benefits from such a transaction.

The carryover feeling from yesterday was quite bullish, and with generally clear skies and little change in temperature indicated, there was some additional buying this morning. The five-day forecast was also unpleasant with respect to a change in moisture conditions, and there was a considerable firmness here again, despite some profit-taking.

Primary receipts of wheat amounted to 1.2 million bu, which was a little more than last week and compared with 890,000 bu last year. Kansas City and Minneapolis stocks show a net increase of 467,000 bu, but a large increase at Minneapolis is due to the consolidation where an elevator has been made regular. When the wheat visible is posted on Monday it will compare with a shrinkage last season of 69,000 bu.

There is still much debate in Washington on the soil bank, and as we understand it the President probably could institute the program under an old law which originated in 1935. However, the amounts involved are so great that this administration would like to have very definite legislation before putting this type of program into effect.

Our markets were extremely strong early today, with May, July, and November beans reaching a new high for the season, but best prices did not hold. Some analysts are revising their ideas, and are now expressing the belief that there may be ample bean supplies to see us through. Processors bought oil and meal and were thought to be selling beans.

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CHICAGO, 4 April 23, 1956

Weather was mostly dry over the week-end, and as we viewed the television broadcasts last night, there was practically no hope held out for any relief over either the corn belt or southwestern areas. However, these forecasts, both official and otherwise, have been rather inaccurate lately, and this morning it looked rather favorable for moisture in the Southwest; in fact, it was claimed that precipitation during the next 36 hours would be heavy. Rain is included in this new forecast, with about 2 inches snow over the high plains of Nebraska, with showers and thunderstorms over western Texas and rain over most of Kansas. Also, rain mixed with snow and scattered showers and thunderstorms are looked for over most of Oklahoma by tomorrow, with the likelihood of lower temperatures. In the spring wheat states moisture will be provided by snow flurries over parts of the Dakotas and rain or snow, or possibly both, over both sides of the Divide in Montana. It looks less hopeful that there will be much moisture in the Central States, but still some snow flurries and light rain are forecast for every corn-belt state except Iowa and Minnesota, where precipitation will come from light rain, with little change in temperature.

With this improved outlook, it was not surpising that we had a lower opening in wheat this morning, although corn prices at the start were relatively firm. The new corn loan, which was promised by this administration, guarantees a support of $1.50 per bu on the farm to growers in commercial areas who comply with the acreage allotments. Growers outside of this territory have no allotments or controls, and they will get only three-fourths of the support that applies to the commercial areas, so that their support will amount to about $1.12 1/2. However, the commercial growers who exceed the allotments will probably receive supports this year for the first time. They will, of course, get less money than farmers who comply, but yet they will probably receive somewhere in the neighborhood of $1.22 to $1.25 a bu. The explanation for this is that many farmers do not stay within the acreage allotments on corn, which is natural, as a very large percentage is fed to livestock, and, therefore, stays right on the farm where it is grown. This past year there was quite a large quantity of unsupported corn that came to market, and this was instrumental in dropping prices. However, it is hoped that the lower level of support will check this price drop and prevent undue weakness. Whether it will work out that way remains to be seen, as there could obviously be a considerable stepping up in corn planting by those farmers who gamble on getting the lower support price. It still leaves the situation beclouded and there are a considerable number of uncertainties still in the picture.

The House plans to consider the soil bank program some time this week and there is substantial doubt that USDA has the legal right to start legislation of this sort without further authority. There is no indication that price support levels for other feed grains will be adjusted upward to reflect the adjustment which will be made for the corn price support level.

On the other hand Secretary Benson and the President conferred on Saturday, after which Mr. Benson said that his Department still must formally announce higher 1956 crop supports of $2.00 per bu for wheat and $1/50 per bu for corn. In talking with newsmen at the White House the Secretary made a puzzling reference to higher supports on soybeans. It was not clear whether this was a slip or whether the Administration is considering a plan of going beyond the President's veto message.

Chicago wheat stocks showed another large decrease of 617,000 bu, leaving a little less than 5 million bu of wheat in this market. Corn decreased locally 109,000 bu, which leaves 16 1/4 million bu here. There were small decreases in oats and rye, while bean stocks declined to 6 3/4 million bu.

Flour sales over the week-end were small, but still May wheat held a little better than the deferred months, which were weak. During the session we had a few reports of snow, which was light at Kansas City and somewhat heavier at Denver. New-crop beans were stronger on some short covering, and the news of possibly having higher supports was a factor as were also pessimistic reports of conditions in the Mediterranean, which might mean sustained demand for oil for another season at least. Other grains were somewhat influenced by lower wheat prices, although the corn basis was very firm, and there was no particular pressure from the country.

The U S wheat visible decreased 5 1/4 million bu, leaving stocks in all positions nearly 324 million bu, or 14.3 million bu more than last season. The corn visible decreased 243,000 bu; oats decreased 703,000 bu; and beans declined about 1 1/2 million bu.

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CHICAGO, 4 April 24, 1956

As we move further along into this election year, it becomes more obvious that the farmer will be exploited by political thinking. There may be hollow promises on part of those who are seeking votes and who are not primarily interested in the long run in trying to do something constructive or to find an economically sound approach to the solution of our agricultural problems. Indeed, there will be some agitators who even will seek out and foment unrest, and there will be many promises made which defy performance. In a speech delivered today in Minneapolis, the Assistant Secretary of Agriculture, who was formerly a Professor of Economics at one of our great universities, points out: "We have gotten ourselves into this incredible mess primarily because many of our people believed, or at least hoped, an Act of Congress could brush aside fundamental supply and demand relationships. For many years we have set out to legislate price at artificial levels, without effective measures to maintain consumption rates to curb production increases...Indeed, to impose the kind of controls necessary to make this system work would have been to destroy the very freedoms that our farmers hold dear."

Before our market opened this morning there was quite a little news that had a bearing on our markets. Rains Southwest had not been as general as were expected. First reports told of 3/4 inch precipitation at Oklahoma City; later we heard that a number of other places in that State had been benefited, and there was a trace at Amarillo, Texas, with a light fall also in Northwestern Kansas. The map is still unsettled. The government had also provided us with figures showing stocks of grain in various positions. As of April 1st, there were 1,287 million bu wheat still on hand, and while there was a somewhat larger domestic disappearance than last season, we still have 52 million bu more on hand than in 1955. The corn stocks of 2,291 million bu show an increase of 159 million bu over last season. Rye stocks are 3 1/2 million bu greater, and there is still nearly 24 million bu left in the various positions.

There was also a report from Washington, which stated that Secretary Benson had set the price support for corn at $ 1.25 per bu when grown in commercial areas but where acreage allotments had not been complied with. This was 25¢ per bu less than the formally fixed supports for corn that was grown in compliance with allotments. A new innovation is thus instituted in providing props for non-compliance farmers, as heretofore farmers had lost all supports when they grew more corn than was allotted. Now it seems they can grow all they want in the commercial areas and still obtain a loan of $ 1.25 per bu. In the non-commercial areas farmers will receive support of $ 1.12 1/2 per bu. Thus these farmers receive less help than those in the commercial areas who ignore acreage allotments.

Primary receipts of wheat today amounted to 1 1/2 million bu which was the same as last week and compared with 1.6 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 106,000 bu.

The wheat market was a little weaker early in the day probably due to weather conditions, and later in the session we had the mid-day forecast, which was for rain in western Kansas, also in the central portions tonight and over most of the State Wednesday. If these materialize they will, of course, be beneficial. May wheat was again firm, and the amount of free wheat in Chicago is infinitesimally small. Moreover, there was a sizeable flour business, and some chain bakery orders were put through to take care of requirements in some cases for the balance of the crop. Beans ran into stop-loss selling at times, but recovered. We still believe there will be a pretty large acreage in spite of the added inducements to corn farmers. Corn was very weak early and some selling may be attributable to the possibility that these added inducements to non-compliance farmers may give us a larger acreage than would otherwise be the case. At the same time it might also place larger quantities under the loan. There was considerable activity in rye. Three cargoes were sold from Canada, and a German firm was of the opinion that some of this rye may go behind the Iron Curtain. In any case rye futures here bulged, and this may have had something to do likewise with the higher wheat market, which came during the last hour or so of trade. The new-crop wheat months were the strongest.

Congressman Cooley introduced a bill permitting the Soil Bank idea to come into being. The Administration has been insisting that new legislation was needed although the Democrats have contended that the mere appropriation would enable the Plan to get under way. Mr. Cooley's decision to offer a bill seemed to signal a significant change in the Democratic attitude.

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CHICAGO, 4 April 25, 1956

We have spoken a great deal about production costs and the extent to which they have increased during the past few years, which is, of course, one of the main reasons that farmers' net income has declined so markedly since 1947. Had it not been for this item the average farmer in the country would be practically as well off now as he was at any time, as the total sale of products has declined very little from the peak. The government just released a pamphlet on the farm income situation, and in it they say that the price outlook for the rest of the year is for little change overall. It should be pointed out, however, that production expenses have increased from an average of about $1,050 per farm per year in 1940 to $4,500 last year. Thus it will be seen that while there has been farm expansion and many tractors and machines have been purchased, this has all had considerable influence on net results. It should also be stated that the average investment per farm in productive resources including land, buildings, livestock, and equipment was approximately $6,000 in 1940 while in 1955 this figure had jumped to $24,000, or in other words had gone up fourfold. Even the high figure of $24,000 does not include the value of a modern dwelling and modern household equipment, which actually is an essential part of farm equipment needed to hold capable and ambitious young farmers and their families on the farm. Thus it may be said that another $6,000 to $8,000 is added to the total of $24,000.

Before our market opened this morning weather reports were quite disappointing. There had been very little rain in the Southwest, and thus the noon forecast yesterday was regarded as extremely disappointing. There were a few light showers over eastern Nebraska and eastern Kansas and at some points over the corn belt, but the forecast is not particularly optimistic, and in the meantime temperatures are rather low. The latter, however, is better, because in spite of continued dry weather, the condition of wheat has been fairly well maintained, as there has not been the growth we would have had if higher temperatures had prevailed. Even in the Central States it has become very dry and is unseasonably so even throughout much of Illinois. The wheat crop, however, is marking time, and ample moisture would improve the outlook greatly.

We also had news this morning that the country was selling corn much more freely, both downstate and for Chicago, while the East told us that Ohio was reporting the same.

At the expense of repetition, we mention again that, in line with the President's farm message of April 16th, announcing prompt administrative steps to increase farm income, farmers for the first time have been offered a loan on their corn in the commercial areas even though they did not comply with acreage allocations. Thus they will receive a prop of $1.25 a bu, and under such conditions we anticipate that a very large acreage will be planted, which in the long run is probably more bearish than the fact that heavy quantities may again go under loan. We should, of course, not overlook the fact that hay and forage crop growth has been slowed by cold weather, although in most sections east of the Mississippi prospects are good for later growth. Nevertheless, lack of soil moisture in much of the Central Plains, Southern Plains, and Southwest, unless relieved may notably shorten hay crops and may seriously curtail further grazing. The U. S. pasture condition at 73% of normal is 9 points below average, although it is not far different from the low level reported the past two years.

Primary receipts of wheat were about 1.1 million bu, which was just a little more than last year and compared with 884,000 bu last week. Kansas City and Minneapolis wheat stocks so far this week show a total decrease of 126,000 bu.

Our markets were rather mixed, and there is a good deal of speculation yet on future plans that our government may adopt. Some believe that wheat exports next season out of private stocks will be larger with less sold from CCC supplies. Then, also if the corn acreage expands with non-compliance farmers offered a fairly good support it may be at the expense of bean plantings, although one authority still believes that the sown acreage may be more than last year. Wheat prices were firm, particularly the new-crop months. Rye was again higher in sympathy with the advance in Canada, and nearby beans were strong, but corn and oats were inclined to lag, and the latter closed lower. New-crop beans were also under liquidating pressure.

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CHICAGO, 4

April 26, 1956

The farm problem is commanding added attention in this election year. It was likewise a political football in the past, and we recall that in 1948 much of the same talk was heard as to how the farmers could best be benefited. In a market letter written eight years ago, we stated that the entire question of farm supports and programs was one which affected the public interest to a degree that overshadowed any individual consideration. We were convinced then, as we are now, that its probable consequences were so far-reaching that it merited careful scrutiny of everyone interested in the general welfare of our economic and political systems. We stated at that time that we believed the retention of the loan program could only lead to a complete debacle or to the imposition of controls, which would destroy the liberty and freedom of action of the farmer and eventually of the entire country. We were not then in sympathy with the raising of prices of various agricultural commodities to levels higher than the open market could yield, and we stated: "We have no quarrel with the benign purpose of this legislation. On the contrary we, as grain men, have every reason to desire that producers receive the highest possible price for their products. We say, however, that the market may not be tampered with for the purpose of obtaining artificially high prices without injury in the end to the producer himself, and without detriment to the general welfare. We do not believe that any permanent program based upon a constantly rising loan price can do anything but achieve the inevitable result of the accumulation of unmanageable and unworkable surpluses, with resultant injury to the farmer and to our economic system as a whole."

We feel convinced today that we are nearer a time when we shall have to abandon even more modest supports, and if we insist on giving the farmer aid we shall have to resort to subsidy payments, as is now being suggested by certain legislators, who are apparently drafting a new bill. The author of a new proposal, Rep. W. R. Poague, of Texas, has stated that direct payment to farmers under the new plan would give them an amount of money which would represent the difference between the price support levels announced this week by the Eisenhower Administration and the old rigid price prop of 90% of parity for corn, wheat, cotton, rice, and peanuts. This is somewhat closer to the Domestic Parity Plan except that under the latter the difference in subsidy paid to farmers would be a payment representing what these commodities were worth in the open market as compared with 100% of parity on the quantity of wheat domestically consumed. The present proposal goes only half-way, and in our opinion will not prevent the accumulation of surpluses, which might be avoided under the Domestic Parity Program, whereby the amount over and above the domestic supply would seek its own price level on world markets and might, therefore, bring about a more realistic adjustment to actual demand.

Primary receipts of wheat amounted to 1.3 million bu, which compared with about 1 million bu last week, and 1.4 million bu last year. Kansas City and Minneapolis stocks so far this week showed a total decrease of 165,000 bu.

The bean market was strong all during the session and new highs were recorded for the May, July, and November futures. Oil had been very strong and later on it was stated that France was inquiring for 600,000 bu of beans, and they were also in the market for 16,000 ~~1,600~~ tons of soybean meal for nearby position, as well as some meal for later shipment. At the beginning, wheat prices were rather firm and there were some advances, but there was also profit-taking. If the map develops fvorably there might be a better chance tomorrow of expecting some rather general moisture Southwest; this, however, is still indefinite. Rye prices were extremely weak, and there was some selling of that commodity against purchases of corn by a local trader. Corn was reasonably firm, and there is reason to feel that with the heavy impoundings we may not have much free corn left at the end of the season. As for new-crop corn, it is in adifferent category, and should be influenced by a large acreage. We heard that acargo of wheat was coming this way from Toledo, but have no idea whether this is for milling consumption or otherwise. Flour business was rather small overnight, and most mills claim that it has become rather quiet again; there was considerable narrowing between May and July wheat.

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CHICAGO, 4 April 27, 1956

Cash wheat prices are generally near the highest levels of the season to-date, which reflects the fact that supplies of free wheat are limited because of the large quantities owned or controlled by CCC. According to the Department of Agriculture, there will be only about 55 million bu free wheat in the total supply on July 1, 1956, although the carryover reserve will be a record for all-time and may amount to 1,080 million bu, which would compare with 1,022 million bu the year before. The amount of free wheat coming into this crop was only 32 million bu, so that there is a slight improvement, but at the same time even 55 million bu is below the quantity usually considered a desirable minimum. It can thus be seen that beginning with the next crop year the government will have under its control well over a billion bu of wheat, which is more than will be raised in the coming crop-year, and this figure compares with average crops of 740 million bu in the ten-year average period just prior to the war. Thus they continue to be the dominant factor in wheat. The government now estimates that food requirements will probably care for 485 million bu, and the amount fed will be possibly 65 million bu, which is certainly a big drop from other years. We can recall one period during the war when practically as much wheat was fed to animals as was domestically consumed for food. Of course, that was during a period when there was a big demand for concentrated foods, and we were sending meat not only to our European Allies, but also, to Russia. The government also figures that there will be 63 million bu of wheat needed for seed, so that total disappearance for this season may be about 613 million bu. We have exported approximately 206 million bu wheat from last July to March this year, which compares with 209 million bu in the same period a year earlier. So it is still figured that our total shipments for the season may be about 275 million bu.

In the same booklet: namely, THE WHEAT SITUATION, USDA tells of reduced wheat crops in Western Europe. Damage, of course, was serious, as everyone knew because of insufficient snow-covering during the severe cold of February. The heaviest damage occurred in France, Belgium, and The Netherlands. They say that possibly 50% of the wheat crop acreage was destroyed in France, although part of this was made up due to favorable weather conditions during March and April, and it appears that a larger area was seeded to spring wheat than had been expected. Overall they may have a total acreage of 8 million for harvest vs 11 million acres during the past two seasons. In Western Germany the estimate of damage cannot yet be fully appraised, although unofficial statements indicate that 15% of the wheat was hurt and 10% damage in winter rye. As an offset if conditions for spring work continue favorable, total results may not be seriously affected by the frost damage.

Work is still being done on the compromise farm bill, and in addition to a soil bank program it may include one provision which the administration opposed: namely, mandatory price supports for oats, rye, barley, and grain sorghums. The non-controversial features include provisions for preventing sharp acreage cuts in cotton, an additional $500 million for price-propping programs for perishable foods, and an additional $500 million for surplus disposal programs abroad.

Primary receipts of wheat were 1.2 million bu, which was almost identical with last week and compared with 1.5 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 155,000 bu. When the visible supply is posted on Monday it will compare with a decrease last year of 1.3 million bu.

The main activity and the greatest fluctuations were in soybeans today, and there was all kinds of news. First of all there were 700 trade items freed from licensing so that more routine shipments may be made to the Soviet Union and its Satellites. Edible and animal oils and fats were included. Also it was stated that exporters were offering a large quantity of oil to Greece, and we understand there is every indication that Spain will take some 20,000 tons of refined soybean oil from here, which, of course, caused heavy buying in beans with resultant sharp advances. This activity for a time overcame early weakness in wheat and in corn, although trading in the other pits was not as heavy, and wheat closed weak.

There were some wonderful rains over the corn belt during the past two days, and apparently there is still more moisture to come. However, the low which we had hoped would develop over the Southwest failed to materialize, and it was dry overnight with not much prospect for any immediate relief.

Oats were somewhat lower, and the Winnipeg market keeps gaining on us. Lard prices were influenced by the possibility of heavier export shipments to Russia, and the general strength in bean and oil markets.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 April 30, 1956

Since 1938, we have been jumping from one emergency to another trying to solve our agricultural problems. Basic commodities have been receiving greatest emphasis, but strangely enough, while all the publicity is given to these six commodities, they comprise only 23% of our agricultural income. There are a few other products that get some government help but over-all 60% of our agricultural products do not receive price support to any appreciable extent. For these products price supports either are not generally desired or it has not been possible to devise price supports that are acceptable, or both. Those who have analyzed our farm problems are convinced that our accumulations have occurred largely because of artificial price supports, and that as a result net farm income has been reduced by about 20%. If this is the case then it would stand to reason that the way to cure these ills would be to gradually reduce our supports and try to get back to a more workable basis. This might be done, of course, by cutting the support level 2 to 3% each year, as any drastic action removing the supports altogether and all at once might bring great hardship to our producers. We have seen, for example, that potato prices are higher now than they were during the period when they were supported. The government is placing great reliance on the soil bank as an instrument to bring production more in line with actual demand. This may be true, although we are fearful that marginal lands will be the first that are taken out of production, and with the large amounts of incentive money farmers will receive, they will undoubtedly cultivate more intensively, and might even spend more for irrigation purposes.

There can be little doubt that even though average moisture conditions may not be as favorable in this country as they are in many of the European nations, we can still increase the yields per acre if farmers really apply themselves and use larger quantities of fertilizer. For example, the ten-year average wheat production in this country (1944-53) amounted to 17.1 bu per acre. In France, last summer they raised 35 bu per acre; in Western Germany 42.8 bu per acre; in Denmark 55.5 bu per acre; in Belgium 55.6 bu per acre, and in The Netherlands 58 bu per acre. So it is quite apparent that we can still make great strides in getting more out of our land. In oats the ten-year average crop in the U. S. was 33.4 bu per acre. Last season France harvested 48 bu per acre; Western Germany 71 bu per acre; Belgium 90 bu per acre; Denmark 91 bu per acre; The Netherlands 93.9 bu per acre. Similar figures might be drafted for barley. All this was accomplished with fewer mechanical devices than we have in this country. Corn is probably the one exception wherein we have certain advantages of hybrid seed, but even there we note that while our average production was 36.4 bu per acre in the ten-year period, Germany before the war averaged 47 bu per acre, and that was brought about with very little hybrid seed having been used.

Thus we point out that the problem must not and cannot be tackled entirely on the supply side of the picture, but rather that we must resort to greater realism in keeping our prices in line with competition, which could probably be accomplished best through the Domestic Parity Plan. The government advisors with whom this writer has talked are not yet ready to take that step, nor does Secretary Benson favor it, but we may finally be driven to it, despite the adverse criticism that now surrounds that type of program.

Chicago wheat stocks decreased 323,000 bu, leaving 4 1/2 million bu here. Corn stocks decreased 309,000 bu, leaving 16 1/2 million bu here, and despite a decrease of 188,000 bu in beans there is still 6 1/2 million bu left. Tenders on May contracts were not heavy for any commodity but beans, where nearly 4 million bu are to be delivered. Wheat tenders were next to nothing, and only 200,000 corn was put out, indicating that hedgers had previously gone over pretty well to the deferred months. 55 lots of meal were tendered and 40 lots of oil. The flour business was moderate over the week-end, and two chains bought hard winters for a few weeks to a month ahead; others, however, seemed to be waiting.

There was considerable moisture over the corn belt, and much of the deficiency has now been made up. In Illinois there was anywhere from 2 to 4 inches of rain over the week-end. There was some nice moisture in parts of Missouri, and also one inch at Independence, Kansas, with 1 3/4 inches in Kansas City. The map is unsettled and indications are for more rain Southwest, which will extend to Oklahoma and possibly Texas. This had a bearish influence on wheat early, but the market rallied later on news of proposed legislation including some features which had previously been unacceptable to the Administration. Corn and oat prices also rallied before the close, while beans were very strong following higher oil prices, and many new highs were recorded.

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DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4

May 1, 1956

It is fairly traditional in American politics by the party seeking to gain control of the Administration to exploit areas of unrest. We doubt whether 1956 will be an exception to this rule, and certainly agriculture will be an important campaign issue which, as a matter of fact, has already started and is showing itself in the type of legislation that is being offered. We have felt for years that the farm problem is economic and not political, and that a solution lies only in constructive measures. It is discouraging, therefore, to think that American agriculture should be for sale in the political auction ring when actually it deserves better treatment, and should be handled as an economically sound program.

It is important to realize that of the 5 1/2 million farms in the U. S. 2 million of the larger ones are highly mechanized units and produce 85% of our agricultural output. They receive the bulk of whatever advantage there may be in price supports. The other 3 1/2 million farms, which comprise more than half the total, produce only 15% of our output and receive relatively few dollars from price support. Thus if we wish to be honest with ourselves we must admit that price support is primarily concerned with less than half the production of less than half the farms. Last year under price support systems the bulk of the dollars went to larger farmers; the top 1% of all loans on wheat accounted for 12% of all dollars loaned. Corresponding figures were 8% of total loans on cotton, 6% on corn, 11% on oats, 24% on barley, 8% on flaxseed, 11% on grain sorghums, and 8% on soybeans. The small farmers' production did not profit much from the guaranteed price, and yet we continue to have legislation urged for higher and higher supports, when as a matter of fact it only brings about larger agricultural surpluses, which have been the most serious price-depressing factors.

Overnight weather was extremely favorable with further rains reported in the Southwest. Central sections of Kansas probably were most favored, with a 3-inch rainfall at Hutchinson. The moisture extended to the northwestern part of that state, with Norton having received about 1/2 inch; it also extended into Oklahoma, with many dry sections in the southwestern part of the state claiming about 1/2 to 1 inch. Then there were some scattered showers over the North Plains of the Texas Panhandle, all of which are extremely favorable, although Texas will probably not show much improvement as the rains have come pretty late.

The wheat market despite this improved outlook with more unsettled weather in prospect, showed only slight weakness after the opening, and was later influenced by the great strength in beans, with higher oil prices registered again. Furthermore there was a report late yesterday indicating that as of April 1st stocks of beans in all positions totaled 176.5 million bu, which was virtually the same as last year. This figure is somewhat lower than might have been expected considering that supplies at the beginning of the season were so large. However, our crushings have been extraordinarily big and exports also greater, but in any case all this fired the imagination of traders, and there was considerable buying of this commodity, which in turn influenced all grains. Corn was quite strong on local buying, and according to the legislation sponsored by the House Agriculture Committee yesterday, farmers would only be able to get the loan on corn this coming season if they complied with acreage allotments. In our opinion, should this legislation become law we would, nevertheless, have a large corn acreage, as many farmers might be willing to take their chances in getting a good price for their corn in the free market and would not necessarily reduce plantings. However, there was a good deal of enthusiasm in the corn market and very little opposition.

Statistics did not count for much in today's market. There were some reports from the Northwest that due to snows and low temperatures, field operations were from one to three weeks behind schedule. However, the weakness in May wheat today occasioned by selling on part of an elevator concern finally had its influence on the deferred months, and the market closed lower. Corn did not quite hold the entire advance and there appeared to be profit-taking on the bulge, but the close was very strong. There was a moderate amount of flour business overnight, the main bookings were by one chain, but elsewhere it was quiet. Many of the bakers are pretty well covered for the balance of the season. In beans the conversion to product is not favorable but in spite of this we have had a bull market now for weeks with hardly any setbacks. While the oil market stays firm we would not be surprised to see sharp technical reactions at any time, although it is difficult to forecast from what level this may occur., Some of today's enthusiasm in beans was due to the fact that hardly any retenders occurred following yesterday's heavy deliveries. May, July and September beans closed the full permissible limit higher.

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CHICAGO, 4 May 2, 1956

Without intending to write a political speech, we must admit that three years ago when this Administration took office, they were confronted with a 52¢ dollar, an unbalanced budget, stifling bureaucratic controls, and a loss of confidence in government. These were the words of President Eisenhower when he took office. Today he claims that inflation has been halted, integrity has been restored, the budget is in balance, and more Americans are at work earning more, producing more, investing more, and building more than ever before in history. Three years ago we were at war, while today we have peace. This, of course, does not take into account the agricultural situation, but still it is not quite the unhappy affair which many claim it to be. Net farm income in 1955 was a little less than $ 11 billion. True, this is a drop from $ 17 billion, the record attained in 1947. On the other hand, can we ever find a time in history prior to that when a record of that kind had been established?

A British friend of ours, who visited here a few days ago, and who looked at our picture rather objectively, still regarded a showing of $ 11 billion as wonderful in view of the surpluses that had been built up, and the fact that realized net income for the thirty years prior to 1947 had averaged less than $ 6 billion. This included the periods of two great wars, when we had inflation and high prices, and yet we are on a much higher plane today than ever before in our national history. Probably the same mistake is made here as in some of the statistical computations where comparisons are made only over a period of 4 or 5 years, and thus the result obtained is rather distorted. This is not to say that there are not some small farmers who are suffering, but by the same token we cannot claim that during the period of readjustment there have not been some small businesses which likewise have suffered. Farming, whether or not we like to admit it, has become an industry, and to be honest with ourselves it should probably be treated as such.

An observer, who recently traveled over the farming country of the West, stopped to talk with a young chap who obviously was a college graduate. He told him there was a night watchman on duty looking over the property, the livestock, the hogs etc. The farm manager had an office in a small building at the far end of one of the implement sheds, but he was away in St. Louis attending to some marketing. Part of the staff came on duty at 5 A. M., others at 8 A. M., and worked the 8-hour day. No meals were served on the farm. It was purely an industrial enterprise, this particular farm of some 600 acres. We dare say that these large units are not suffering, but, of course, for the small farm to compete with this type of efficiency is, indeed, difficult, and it is equally difficult to set a standard that will guarantee a profit to the small as well as the large operator. This was found to be the case when high rigid supports were operative.

Some wonderful rains had been reported overnight. They covered large areas of Oklahoma and during the past two days there have been scattered showers over most of the South Plains of the Texas Panhandle, and even around Amarillo. some moisture was reported at various stations, ranging from 1/4 to 1 3/4 inches. They had further rains in Kansas and Nebraska, although largely in the eastern sections of those states. There were snows in the spring wheat areas and showers over portions of the corn belt. There may be some delays in spring wheat operations, and this is mentioned from Canada where it is probably more serious.

Beans were the big feature today, and there were all kinds of reports, although we were having difficulty confirming any of them. One was to the effect that some interests who had been on the constructive side of the flax market in Winnipeg were now in beans. There were other reports of improved and large exports which we could not verify. Later there was a report that Greece had postponed its purchase of oil here. In any case the fluctuations between the low and high were almost 18¢ per bu for old-crop months, although even when May and July beans were very strong the new-crop futures dragged. All statistics today were ignored. In wheat it was difficult to have any sustained strength, and, indeed, the futures market was mostly lower, influenced by further reports during the session of some nice rains in Oklahoma and other parts of the Southwest. The weather map is still somewhat unsettled. Corn was a little higher for a time but finally broke sharply. Nobody knows yet what the proposed legislation will bring forth. We, ourselves, feel that a big acreage is in prospect for corn, although we can see the possibility of tightness in old corn with heavy impoundings, but this may be modified to some extent through government sales, even though they are presumably for export. Most of the State reports showed improvement, although they did not all reflect the full extent of the recent rains. Finally bean futures closed the full permissible limit down; thus wiping out yesterday's advance. July beans are still 80¢ per bu higher than a year ago, with total stocks about the same.

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CHICAGO, 4 May 3, 1956

There had been great excitement in beans yesterday due to the sharp range in price, and with all futures closing at the downward limit, there was considerable nervousness displayed this morning, particularly with the decline in oil prices, both for bean and cottonseed oil. In some cases July beans opened as much as 9¢ per bu lower, and apparently there were some liquidating orders which found the market rather poorly supported. Other grains, however, did not sympathize with this early weakness in beans, and as a matter of fact, a large northwestern elevator concern was a big buyer of July corn. There were other interests locally who also bought, so that the yellow cereal was sharply higher. Austria bought three cargoes. We could not attribute it to any other news, as surely the Farm Bill, which is now pending in the House, had been fully discussed yesterday and there are no great surprises expected. Actually, there is a chance for a compromise, in which case the President is apt to sanction the new law.

While the legislators are busy trying to do something for agriculture, we have been talking to numerous people out in the farming areas, and, of course, psychology is the same in all lines of enterprise, and in fact, all over the world, - that is to say, once a high price has been reached for a commodity nobody likes to accept a lower one. But generally speaking, there are still a great many farmers who are realistic enough to know that when conditions change the market changes. We had occasion to speak with one farmer who has several pieces of land, and has been in the farming business for nearly half a century. His analysis was clear, rather optimistic, and quite philosophical. He told us that in 1948 he was able to get $2.57 for his corn on the farm, and it was almost like a dream which had come true, so he decided to take his wife to Rio. She hesitated for a while because farming had never been such that they had lent themselves to extravagant projects. He explained that even when they returned and paid all expenses, they would have as much money left as in an ordinary year when corn sold at more moderate prices. Since that time he has not been taking any trips to Rio, but has been living comfortably and seems perfectly happy with his status. There are undoubtedly other farmers who are similarly situated. Naturally there are also some who become more easily discontent and try to go to Rio every year. These, however, are fortunes in life, which apparently cannot always be controlled, by government efforts, but in that respect we cannot guarantee all of our citizens certain luxuries even if we go completely socialistic.

Weather was mostly clear in the Southwest overnight, but there is still a chance of some moisture in eastern sections of Kansas and Nebraska, although not much rainfall is expected for Oklahoma and Texas. Nevertheless, we have now had the most widespread moisture in many months, which has extended from Colorado to Nebraska and Kansas, down to Texas. The earliest wheat-maturing areas received heaviest rains, while the main corn belt was also favored with moisture, which has relieved apprehension following a period of prolonged drought.

So far this week Kansas City and Minneapolis wheat stocks show a net increase of 52,000 bu. Late in the session we heard more from Washington with respect to the Farm Bill. It seems the House voted to raise support prices 16% this year for producers of four feed grains who voluntarily put surplus-producing acres into the Soil Bank. It also granted approval of the Administration's unprecedented action in extending price support this year to commercial corn growers who overplanted their allotments. Chairman Cooley offered his amendment authorizing full payments to any farmer who participated in the acreage reserve program whenever the Secretary certifies that the farmer has actually reduced his acreage for the year. This would permit payments in 1956 for acreage actually put into the reserve in 1956 -- either by not planting or by plowing under existing planting -- but would not permit payments this year for planned cutbacks next year.

New-crop bean futures strengthened as soon as this news became public and the old-crop months, which had been down the full permissible limit also rallied. Corn also improved, and the close was higher.

U. S. wheat and flour exports for the week were heavier and amounted to 7 million bu which makes the total since July 1st, 234 1/4 million bu vs 218 3/4 million bu last year.

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CHICAGO, 4 May 4, 1956

The bean market has been extremely erratic during the entire week, and even before that advances had been rapid with very few setbacks even of a technical nature, all of which is causing comment at this time. According to news dispatches CEA has disclosed that inquiries are under way to examine carefully the volume and commitments of traders. One official of the Department has indicated that the market is in a most unusual condition.

We quite agree that this is the case, but to understand what is happening now one should make a study of what part the government has had in bringing about this condition. First of all, it should be said that this year's bean crop of 371.2 million bu was the largest of record and was 30 million bu greater than the yield obtained a year earlier. This figure compares with the ten-year averagecrop in this country of 238.4 million bu. Thus it will be seen that supplies at the beginning of the season were tremendous, particularly as our carryover reserve was also somewhat larger than the year before. Chances are that if the market had been left to its own resources, we would not have had the enthusiasm displayed by traders, and very likely crushings would have been much smaller than the record ones which are being published month after month. It is true that exports to date have amounted to about 50 million bu, which is an increase of only 9 million bu over last year. However, the demand for oil has been almost ceaseless, and this was brought about in large measure because of the fact that foreigners did not want to crush beans and have the meal left over, for which the demand was not particularly good. Thus they preferred to let us crush the beans and just take the oil. Had they been required to pay for the oil in dollars, the business would doubtless have been quite small in comparison. As it was the olive oil crops in Europe were hurt by the severity of a hard winter, and so our government permitted foreigners to come here and buy on basis of their currencies, which we may never be able to use, but in any event these allocations that were granted to countries like Spain, Greece, etc., formed the basis of a huge oil business, and it created a stimulus for huge crushings, so that by April 1st stocks of beans in this country were no larger than they were a year ago. Now a government agency has awakened to the fact that something has happened, and they wonder about the erratic record of our market instead of looking in their own backyard to see what the cause had been.

There was no rain to speak of overnight but the map is still unsettled and by Sunday our weather man believes there will be further precipitation Southwest. The five-day outlook is also quite favorable in this direction. Thus prospects for wheat have been enhanced considerably.

There was other news late yesterday: namely, that the House in passing the Farm Bill had provided for increases in the support price of small feedgrains. The advance in oats was from 59 to 69¢ a bu; barley was increased from 93¢ to $1.09. An advance in rye carried the support from $1.16 to $1.36 per bu, while grain sorghums were increased from $1.80 per cwt to $2.10. Nobody knows for sure whether the President will sign this bill even though he favors the Soil Bank Program; nor do we know for sure whether the Senate will ratify the action of the House. However, on the strength of the disclosures to-date, there was considerable buying of corn and rye, and some purchases were also made in oats, causing strength for those cereals. While the non-compliance farmer will undoubtedly get a loan of $1.25 per bu for his corn, we cannot be altogether certain that the Soil Bank Program may not come into play this spring, although to us it seems highly doubtful as most producers have been busy in the fields preparing their land instead of sitting next to their radio waiting to see what Washington developments might bring forth.

Kansas City and Minneapolis stocks so far this week show a net decrease of 37,000 bu. When the visible supply of wheat is posted on Monday it will compare with a shrinkage last year of 1 million bu.

Trade was much more quiet today. Beans opened higher, and remained firm. It was announced that CasaBlanca would be in the market for 10,000 metric tons of vegetable oils, and this gave us some firmness.

President Eisenhower at his press conference stated he did not like the form of the new Farm Bill passed yesterday by the House, but he is reserving final judgment on the measure until he can study it more carefully.

As of March 31st CCC inventory of wheat was 831.8 million bu, and they were financing under price support 264.1 million bu, so there is a total of nearly 1,096 million bu under government control, which is almost equal to the expected carryover at season's end. The corn inventory of 737.7 million bu and a loan of 403.4 million bu shows total control of 1,141 million bu -- also about in line with the anticipated carryover next October.

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CHICAGO, 4

May 7, 1956

Despite all the talk that agricultural prices have declined to a point where new legislation is urgently needed, we find that the number of farms that were sold in 1955 was the smallest since World War I. Furthermore, district bankers reported in April that the number that were currently offered for sale was somewhat less than a year ago in most areas. As a result of the small number of sales, it is extremely difficult to gauge changes in land values. Nevertheless, the Federal Reserve Bank in this district tells us that land values increased from late 1953 to the fall of 1955 in most regions even though farm commodity prices and incomes were declining. Whatever weakness has occurred in land values in the Mid-West has been confined largely to areas where drought reduced crop output and to the specialized hog and cattle areas where 1955 net farm income dropped below the 1954 level by possibly one-fourth or more. Weakness also came in districts where relatively low returns for milk in manufacturing businesses had taken place, but this was mainly in northern Michigan and Southwestern and Northern Wisconsin.

At the present time neither the trade nor the farmer himself can tell with any feeling of surety what the rules of play are. They do not know to what extent they will be urged to cut acreages, nor what incentive payments they will receive for doing so. They still do not know whether loans for feed grains will be increased from last season, nor can anybody be sure whether the acreage for corn will be increased from 43 to 51 million acres, and even should this occur, whether the soil bank program may become effective for this crop season to cut it back. We do not have space to tabulate actual percentage of reductions from 1955 for small grain crops which would be made from the planted acreage in order to obtain eligibility for the soil bank, according to the House Bill. Nevertheless, for Illinois, the cut would be 17%; for Iowa, 14%; for Indiana, 18%; for Texas, it would be as high as 26%. The Senate will ponder over the farm bill this week and there may be some modifications as both the President and Secretary Benson intimated that there were features in the bill that they had found objectionable, and should, therefore, be eliminated by the higher House.

There had been some nice rain over the week-end, and the northern sections of the corn belt, which previously had complained of drought, have been relieved to a point where deficiencies have about been wiped out. Iowa has also been greatly benefited, and, indeed, some sections of the Southwest received rains, notably Kansas City, Herington, and Trenton, Missouri. The weather map is still unsettled but temperatures are low for the season of the year. It is also quite cold in our Northwest and in Canada where delays will occur until more spring-like conditions develop.

According to the New York Times, Soviet agriculture appears to have gotten off to a poor start. They also suffered from a late and cold spring over most of the country, which delayed field work in many areas. According to Soviet press dispatches a larger percentage of crops was winter-killed than normally.

Chicago wheat stocks declined again to 4.4 million bu. There is very little free wheat left here, but on the other hand only urgent requirements are being cared for; thus the outcome of our May wheat is still very debatable. Corn stocks increased 841,000 bu, to a total of 17.3 million bu, and we learned during the session that an eastern elevator operator and export firm had been buying large amounts of corn in Ohio at a basis of 1/2 to 1¢ under Chicago equivalent. Local oat stocks increased 214,000 bu to a total of nearly 2 million bu. Changes in rye and in beans were small, but there is still nearly 6 1/2 million bu beans in Chicago.

Trade was rather moderate compared with the volume last week, but old-crop bean futures were strong, and this is predicated on the possibility of a close adjustment at the end of the season. In our opinion, export demand for beans will be held down because of high prices, but on the other hand nobody can tell how many allocations will be granted by the government on oils. There was only a small amount of flour sold over the week-end, and with better weather and some rains reported in Oklahoma during the session we finally closed lower. Other grains were indifferent and not much influenced by higher bean prices. Corn and rye were quite weak.

UHLMANN GRAIN CO.

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[illegible] plied, we find that the number of farms [illegible] correctly measure [illegible] to gauge changes in land values [illegible] that land values increased from 1910 to 1920 [illegible] even though [illegible] has occurred [illegible]

[illegible] regard to areas where drought [illegible] other areas where [illegible]

[illegible] of safety [illegible] They should not [illegible] may become [illegible] of reduction as from 1915 [illegible]

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CHICAGO MERCANTILE EX.

CHICAGO, 4 May 8, 1956

Those men whose function it is to try to bring about a proper balance between inflation and deflation have a difficult task, to say the least. We are referring, of course, to the Governors of the various Federal Reserve Banks throughout the country, whose action affects pretty much the entire interest structure of the country. As recently as April 14, 1955, the New York bank had used a discount rate as low as 1 1/2%, but the demand for credit became so strong that in an attempt to avoid inflationary pressure, these discount rates have been raised for the fifth time within a year, and as a result all interest rates are being scaled upward. In general the cost of business-borrowing is now the highest since the early 1930's. Curbing a boom by means of monetary policy is a delicate operation that calls for great skill, as untimely and too vigorous action could bring about a recession, while conversely an unchecked boom could lead to serious inflationary developments. It is always a question whether a higher interest rate in itself will constitute an important deterrent to the application for loans since it represents only a relatively small proportion of the total cost of doing business. Furthermore, interest charges are a tax-deductible expense so that for corporations with profits and a 52% income tax, roughly an increase of 1% in interest charges would represent only a net cost of less than 1/2 of 1% in doing business. The Federal Reserve Banks apparently figured that their main problem was to hold a curb on borrowing, but if the mere increase in interest rates will not bring about the desired results, there might be even more careful screening of and restrictions on loans.

Before our market opened this morning there was not too much to guide it. Generally speaking, weather was clear over the corn belt and somewhat higher temperatures are in prospect. There had been little rain in the Southwest, although 1/4 inch fell at Lubbock, Texas, which should be helpful. There was also some light rain in eastern Kansas, but elsewhere the precipitation was inconsequential. The weather map is still unsettled, however, and there may be a few light showers this afternoon and tonight, mostly over eastern sections of the Southwest, but fair on Wednesday. The five-day outlook does not promise much rain, although in our opinion the crop prospects have enhanced, and we should not be surprised to see some increase in the wheat yields when the next government report is published.

Late yesterday the Agriculture Department extended the authorization for fats and oils to Argentina beyond the earlier date set, which had been June 30th. The extension permits purchases to end of October. Argentine pesos will pay for the $25.3 million worth of oils under the authorization, and it has been the sales of oil made through P. L. 480 that have brought about the unusually heavy crushings of beans during almost the entire season.

There had been a little moisture in the Northwest, but amounts were light and it is to be hoped that seeding operations will be possible before long, In the northern end of the Red River Valley and extending over north-central North Dakota, the soil has been too wet for any kind of field work, and with the cool temperatures the land has not been drying very fast. It may be another ten days before operations can be started in this area. On the other hand, most of South Dakota, southern and western North Dakota and all of Montana have been too dry. Seeding is well along towards completion in those sections, but germination was slow and much of the territory received light to moderate precipitation during the past week. Most of the crop now has enough moisture for germination; a few warm days would be helpful. On the whole the outlook is not too bright, but, of course, it is still early.

Minneapolis and Kansas City stocks so far this week show a total decrease of 251,000 bu. Included in the contract stocks here in Chicago there is only 242,000 bu #1 and 2 red winter wheat, but in spite of this situation May wheat has lost a little of its comparative strength, and there are no eager buyers, although the open interest in May wheat is still in excess of 6 million bu.

There was a report early that Japan had bought a cargo of beans for June shipment, but the bean market was subjected to liquidation, and there was considerable stop-loss selling when the market declined in sympathy with lower prices for oil. New-crop futures were relatively steady. In wheat there seemed to be some light selling, and overnight flour sales were small. On the whole recent weather has brought improvement, although there are still some sections of the Southwest that could stand more rain. Corn was somewhat lower, as was rye; no particular feature to these markets except rather poor support.

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CHICAGO, 4 May 9, 1956.

All through history it has been found that price is the best known means to coordinate production and consumption. The cure for high prices is high prices, just as the cure for low prices is low prices. Sometimes artificial interference prevents these things from working, and thus we get unusually heavy accumulations when an artificially high price is permitted, for surely the consumer is and ought to be the power that directs ultimate production and just as surely the purpose of production is consumption. Thus, the only fair price is the equilibrium price, which coordinates production and consumption, and it is this value which moves the whole crop into consumption without a shortage and without a burdensome carryover.

The bean market has demonstrated in recent weeks that because of the manner in which we are making allocations to foreign countries there might have actually been a final deficit had we not had the advance so that demand was in part curtailed. To what extent this has happened is not known at the present time, but a few days ago when old-crop bean futures sold at about the biggest premium over new, certain adjustments were taking place and we learned provisionally yesterday that there had been a deferment to Argentina on some shipments of oil, an extension having been granted three months beyond the original contract. As it now turns out the Argentine government has not ratified this extension, but it looks quite certain, in our opinion at least, that they will do so. The reason for the deferment was that there is not sufficient storage space in Argentina to store U.S. cottonseed oil for blending operations. Thus they may have overbought for the time being, and may be quite willing to accept their oil tenders for a later period, particularly as new-crop futures are selling at such a wide discount under the old. There may be others who are similarly situated and, here, again, price relationships play a very important part.

There was not much rain overnight in the Southwest, but yesterday's weekly government bulletin was fairly optimistic. We quote merely a few lines from their statement: "Warm weather in southern areas stimulated development. Wheat and oats are in head in South Atlantic and Gulf States with wheat heading as far north as southern Virginia and southern Kansas. Rains were very timely in helping to fill heads in northern Texas and in Oklahoma. In Kansas rains improved wheat prospects in central and eastern portions with cool, damp weather limiting deteriorating effects of soil moisture deficiency in western sections. Wheat improving in Nebraska where it is jointing in southern portion." It is true that despite recent moisture and general improvement in Illinois, there are still patches of land where there has not been enough rain, and the Illinois weekly crop bulletin states that farmers continue hauling water for livestock. It is not too dissimilar from last year when there were reports showing that 33% of the farms had a shortage.

This morning, with rains forecast for the corn belt, our market opened very weak and the July future showed a range of 3¢ per bu, with some liquidating orders appearing, and apparently insufficient support at that particular moment. Beans also ran into stop-loss selling, and there was considerable liquidation. Casablanca has deferred oil buying scheduled for today to the middle of next week. The one feature of importance was that France had purchased 7 cargoes wheat, including 5 cargoes mixed wheat, via the Atlantic, shipment by mid-June. Beneficial rains came to many sections of Europe, also higher temperatures, both of which were favorable. Warmth and general rain was helpful to growth in France. The crop will undoubtedly be a small one due to the severe winter, but the carryover stocks of wheat are said to be 30 million bu officially estimated. Warm weather in Western Germany is favoring development of grains but growth is still backward. Moisture supplies are abundant in Italy and grain prospects are very favorable although the season is backward. Some observers believe about the same size crops as last season are likely.

Statistics were unimportant and were ignored. Flour business was extremely light, but a boat is being shipped from here to the East which gave strength to the May delivery which in turn influenced new-crop months also. 100,000 bu of wheat was tendered at Minneapolis --the first so far. It was reported that Portugal had bought two cargoes of hard winter wheat, but we saw little evidence of hedges being covered. The Senate Agriculture Committee tentatively approved the Soil Bank Program, but there will be a vote this afternoon as to whether small feed grains are to be supported at a higher level than previously. Beans were again the target for selling, and old-crop futures were the weakest, closing the 10¢

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CHICAGO, 4

May 10, 1956

The Senate Agriculture Committee has been working on the Farm Bill now for some time. In their final deliberations they added several provisions which the administration had opposed, but on the other hand they toned down the action to boost feedgrain supports, which had been criticised both by President Eisenhower and Secretary Benson. A compromise was reached yesterday whereby the complex feedgrain provisions would support sorghums, oats, barley, and rye this year to 75.7% of parity compared with the current rate of 70%, and which the House boosted to 81.5%. This, however, was only put through for one season, and in 1957, the feedgrain price support would be stepped up again to conform to the provision of the House Bill. For the 1956 season, farmers would not have to cut-back acreages to get the higher supports. As matters now stand the loan next summer for oats would be 64¢ a bu vs 59¢ at present. Barley would be stepped up to $ 1.01 against 93¢. The support for rye would be increased 9¢ a bu to $ 1.25, and sorghums would be up 14¢ per cwt to $ 1.94. While not a factor for the present there would be a two-year freeze on parity prices for wheat, corn, and peanuts, and this means parity prices for wheat would not fall below $2.38, so that instead of reaching a figure of $2.19 by 1958, parity would remain static for the next two years. Chances are that the Senate will not take action until the middle of next week, and even if they adopt the modified version of the Bill there will be a further wait to see if the President will go along with the new ideas that have been incorporated, or whether he would again use his veto power. He undoubtedly realizes that unless he accepts the legislation in its present form, there may not be another Farm Bill before election.

The feedgrain section of this new legislation is so complicated that even Chairman Ellender said that the Committee would have to look it over again to see if any further changes might be made, although he felt that the broad outlines would probably remain. From the grain man's point of view it will further increase the amounts which may be impounded, and thus place the government in business to a greater extent than ever before, particularly when it comes to merchandising and selling the accumulations.

Late yesterday we had the official figures showing that thus far 366 million bu corn had been placed under loan to April 15th. This would indicate that the supply of free corn is not much different from last year when at the end of the season we had a supply in commercial channels of about 171 million bu out of a total carryover of 1,028 million bu. At the end of the season there was under government domination 857 million bu corn, and this coming October that figure may be even larger. Our last corn crop was 3,184 million bu, and to-date Commodity has sold 73 million bu, making a total supply from these sources 3,257 million. When we deduct the amount that has been impounded, it would leave 2,891 million bu. Of course, the farmer has until the end of the month to place further quantities under loan. We also have figures showing that wheat redemptions thus far have amounted to 15.8 million bu. It does not suggest any change from the earlier government figure that there will be only about 55 million bu free wheat remaining in this country on July 1st.

Primary receipts of wheat were a little over a million bu, which was about the same as last week and compared with 1.6 million bu last year. Kansas City and Minneapolis stocks so far this week show a decrease of nearly 1/2 million bu.

Trade today was heavy at times, particularly in beans, and shortly after the opening when the market fell below last night's close there was stop-loss selling, but apparently this corrected the technical situation, at least for the time being, and there were sharp reactions from the low point, particularly with bean oil and cottonseed oil considerably higher. There was no further rain Southwest; in fact, dust was blowing in parts of Kansas, which attracted some attention. The same was true in the dry areas of central Oklahoma. Wheat was firm but corn and oats were weak.

The government report will be issued later in the day showing production of wheat and rye, also abandonment, and acreage remaining for harvest, as well as the yield per acre.

Wheat and flour shipments for the week were over 8 million bu, bringing the total since last July to 243 1/4 million bu vs 223 1/4 million last year.

A little more attention is being paid to a possible short supply of oil in Mediterranean countries, and FAO is not holding out much encouragement for a heavy volume of supplies later this year. They speak of a severe winter which injured the olive trees in France and Italy, and to a lesser extent those in Spain.

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CHICAGO, 4 May 11, 1956

After the close of the market yesterday, we had a government report for May and figures showed a reduction of about 35 million bu in the prospective winter wheat yield during April. It was claimed that adverse weather during the month had brought about this change, and in looking at the various figures for individual states, we find that on the Pacific Coast there was a cut of nearly 8 million bu for Washington and 9 million bu for Montana. It is true that there was improvement in Kansas with an increase of more than 7 million bu, but the crop in Oklahoma was cut 5 1/2 million bu. Colorado also showed a reduction of about 5 1/2 million bu. The May figures are not completely conclusive, and, for example, last season at this time the government indicated a winter wheat crop of 652 million bu, but the final return was 705 million bu, or an improvement of 53 million. Even yesterday it was stated that recent rain in most of the country may improve the prospects, but the reports came too late to show up fully in the May report, which had been based on crop conditions on May 1st.

In any case we had a sharp advance this morning, and as we thought the crop report was construed bullish. As for rye, the condition was only 80% of normal compared with 88% a year ago. We cannot be sure of the acreage, and at this time we have only the early December figure showing that the area planted was 4.6 million acres. This is a reduction from last year but is considerably more than the ten-year average, and also, a larger acreage than we had two years ago. It might be interesting to consider that the sown acreage in rye is never at all a decisive figure. For example, in the ten years - 1944-53 - the average acreage seeded to rye for all purposes was 3.6 million acres but the harvested acres amounted to only 1.7 million acres. Thus a good deal of the rye is used for grazing, and only about half of it, or thereabouts, is harvested, and thus the government gives no early figure on probable production as they do in wheat, and it is no doubt for the reasons just cited.

There were some light showers overnight in eastern Nebraska, eastern Kansas, and portions of Iowa, while elsewhere over the grain belt areas generally fair weather prevailed. However, temperatures have risen considerably, and are now above normal for the season generally. Weather in Canada is unfavorable and we are speaking now of the western section, which comprises the Prairie Provinces. There was rain in most districts yesterday, and even some snow, in the Regina area, so that seeding operations are being seriously retarded.

Our wheat market might not have been quite as buoyant at the opening had it not been for the great strength in soybeans. They were naturally affected by higher opening prices for oil and meal, and thus there seemed to be more encouragement on the constructive side of the market, and even corn and oats were higher, although weather for corn has been almost ideal and more rain is expected over the week-end, although it may fall mainly over northern sections. Other factors mentioned in yesterday's report were that the hay crop was below that of 1955 and that the condition of pastures was poorer than last year. This may have had something to do with the buying of feed grains in the early trade.

Primary receipts of wheat were 1,073,000 bu, which was a little less than last week and compared with nearly 1 1/2 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 480,000 bu. When the visible supply of wheat is posted on Monday, we shall probably have a decrease, whereas last year there was an increase of 653,000 bu.

Trade was moderate to heavy, and there was a very sharp recovery in beans as compared with the low that was reached yesterday at mid-session. This was in response to much higher prices for both oil and meal. There was not much pressure on the wheat market, and with some buying based on yesterday's crop report we had a higher market during most of the session, with the close not far from the high of the day. Mills are only doing a trifling amount of business but the May wheat future continues very firm. As previously stated, stocks of free wheat here in Chicago are small.

Rye was higher but did not respond too well to the bullish crop report. Corn also advanced, but there was no special feature and it does look to us as though the crop were getting off to a fine start after the recent moisture over the belt.

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CHICAGO, 4 May 14, 1956

There are still many projects in this country that receive direct subsidies from the government. This is mainly used as a means to permit home industry to compete with foreign industry. The U. S. has just signed a new subsidy pact for 24 ships, and the Maritime Board has thus made it possible for several of our Steamship Companies to construct 24 new merchant ships at an estimated cost of about $275 million. If agriculture were handled in the same way we might have some idea what the farm program is costing us, but under the present setup it is virtually impossible. We note there is a measure before the House to appropriate $2 billion, and chances are that this will be passed with very little controversy as the bill was approved by the Appropriations Committee Friday. There will be about $1.2 billion used to reimburse CCC for losses it has suffered on price support programs and other activities. The Department also needs $528 million additional lending authority

Meanwhile we continue to amass surpluses of wheat, corn, cotton, and other commodities, which apparently are not finding enough markets either at home or abroad. There is hardly ever any mention made of the terrific administrative overhead, with thousands upon thousands of employees in F & MA, CCC, and other Department of Agriculture Bureaus of lesser importance. But if this were added to the expense bill we would find that we were, indeed, paying a high price for handling our programs in order that about 20 million persons may benefit, while the other 145 million persons are paying the tariff, both in high food prices and in taxes to meet total disbursements. Probably no one, even those connected with the inner dealings, has any idea within $1/2 billion what all this is costing us. Even if the outlay were the same under a system of direct subsidies, it would reveal a more accurate statement as to what was taking place. Certainly those people who are helping to foot the bill would probably be better off because they undoubtedly would buy more food and fiber for less, and in the end our government would be able to reduce surpluses of certain products, because it is a fundamental fact that price is a great regulator, and there would be better foreign demand if we did not try to hold our markets at an artificial level.

Weather news over the week-end was not entirely satisfactory. There had been copious rains over portions of the corn belt, and we also had moisture in our Northwest, but it was still dry over southwestern areas, and there have been high winds in places, which are not satisfactory for the best development of the crop. While there has undoubtedly been some improvement since the 1st of May, when the government report figures were tabulated we may again lose some of the advantage unless we have further rains. Temperatures are mostly on the cool side, following a hot spell, and in Canada there is likewise some improvement, particularly in Alberta and Saskatchewan, but seeding operations have been delayed in that country, although we are told if weather continues favorable they should get started, and field work will be quite general by the end of this week. Later reports showed some moisture in Oklahoma, but mostly in the eastern and northeastern sections of the State. One point had nearly 1 1/4 inches rain.

CCC is still selling some corn and during the week they disposed of 2.6 million bu, including 750,000 bu for export. They sold 1.6 million bu in the domestic market and 294,000 bu through the drought program. Total sales since last October have amounted to 75 1/2 million bu, or practically the same as last year.

Chicago wheat stocks showed a small decrease, but corn stocks went up 647,000 bu and now exceed 18 million bu. The local oat stock declined to 1.7 million bu, and the rye stock is down to 1.3 million bu. There was a small decrease in bean stocks, still leaving about 6 1/2 million bu here. The U S wheat visible decreased 2.8 million bu, corn increased 2.1 million bu, oats decreased 1.5 million bu, rye increased 419,000 bu, and beans decreased 1.4 million bu.

The big market was again in beans, and from the low of last week there was a recovery of over 20¢ per bu in the July future. However, a report that Japan had bought 17,000 tons Manchurian beans even though they paid a premium seemed to bring a little selling into our market, and best prices did not hold. The corn market was rather firm, but other grains were lower, and there was some pressure in wheat, particularly in May, due to a small cargo of Toledo wheat unloading here. It seems a few small loads of new wheat have been received at Temple and Grandfield, Oklahoma. The yield on this first run was 20 bu to the acre, and the test weight was 59 pounds, and only 14% moisture. Rye declined on small selling orders, and there was very little feature. The Chicago corn-hog ratio as of May 12th was 10.1, a week ago it was 10.9, and a year ago 11.4.

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CHICAGO, 4

May 15, 1956

The month of May is often a bearish one in our industry. People who travel out in the country behold the wonders of Nature, and in turn they frequently sell scenery, being impressed with the progress of crops. As we have stated before in spite of proverbial April showers May is often a wetter month. This year up to now we have had some adverse weather conditions, with a late season in Canada, a fair amount of dry weather Southwest, and somewhat lower temperatures than normal over many parts of this country. Thus many traders were restrained from taking a short position; others felt that in an election year there might be great efforts made to help agriculture, but with it all we seldom get into the real hot weather this early, which characteristically is feared because it so often brings about crop deterioration, and at times even blight. There has been enough rain over the corn belt, which almost assures the crop getting off to a good start. While political factors still present great uncertainties we feel that acreage both for corn and beans will be ample to give us abundant yields if Nature is provident from this time forward. All one can figure on at this season is average conditions, and any calculations should be made accordingly.

The government itself must have taken the same attitude, as recently the U. S. Department of Agriculture purchased 30,765 circular steel bins with a total capacity of approximately 100 million bu for the storage of Commodity Credit Corporation-owned grain in storage areas primarily in the Mid-West. These structures have cost $30.2 million, including transporation and erection at storage sites, but more than that it spells worry for the grain trade in the years to come, as it forces greater competition to private enterprise. As near as we can tell the Federal government will now have close to one billion bu in storage capacity. This compares with only 45 million bu of bin-type storage which the government had or owned in June of 1949. In addition to this, the CCC has made arrangements from time to time with the Maritime Administration to use 384 idle merchant ships for storage, and these boats of the reserve fleet are anchored in various rivers, both on the East and West Coasts of this country, providing storage for approximately 88 million bu more grain. Thus we have a very powerful competitor. Should there be acreage reductions under the Soil Bank, it remains to be seen how this government competition will affect the private trade.

We had some difficulty this morning getting the weather forecast, as one of the machines that the Bureau here uses was in trouble. However, in the Southwest we are told it is cool and cloudy, and there seems to be a chance for some moisture in central and southwest Texas and southeast Oklahoma, with scattered showers likely by nightfall. Meanwhile there has been some rather heavy rainfall over parts of Missouri, Arkansas, and extreme southeastern Oklahoma, while a few light showers occurred over the corn belt east of the Mississippi.

In Canada, there wasno moisture of consequence in the West, and present temperatures show a slightly milder condition in Saskatchewan and Alberta, although it is still below normal in Manitoba. One crop report from Minneapolis has stated that wheat seeding seems to be general, and is 90 to 100% completed except for some points in the extreme north where only 40 to 50% has been sown. Generally speaking, we would say that the progress of field work last week had been very good with the exception of a relatively small area in northern North Dakota, and the northern part of the Red River Valley.

Primary receipts of wheat amounted to 1.2 million bu, a little more than last week, but compared with 1.7 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 254,000 bu.

Beans were very erratic, they opened lower, rallied thereafter but there seemed to be a little less confidence, and with the weakness in corn we had some liquidation and several weak spells. Wheat was almost completely without feature, and at times was firm on moderate buying, but one party told us he was buying a little more wheat in Texas and Oklahoma, although we saw little evidence of any importan hedging in the pit. There may be a few moderate deliveries on May wheat contracts from what we hear, although no sizeable tenders are looked for. Weakness ir Winnipeg had some influence here. The strike is still on, and there was commission house liquidation of rye with sympathetic selling in our market.

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CHICAGO, 4 May 16, 1956

Despite the fact that we shall probably have the largest carryover reserve of corn in our history next October, there is still a possibility that free supplies will be small. Predicated on this theory there are a good many traders who arebuying September corn and selling December, which has widened the difference recently to more than 15¢ a bu. By the same token there has been a very bearish sentiment developing in new-crop corn deliveries as the present crop outlook is extremely good. We have had ample moisture in most sections, and it is generally figured that the acreage will be substantial. In dealing with corn one has many factors to take into account. For example, last season the outlook on August 1st was for a crop of 3,478 million bu, and had it not been for drought and blight the final result might have given us a yield of some 3.6 billion bu, or more and it might even have been the largest crop of record. However, nature was not too provident, and the drought, which started during July in the Central States and was intensified during August, caused a sharp reduction in prospects with the result that within a thirty-day period the government cut the prospective yield by some 364 million bu last September, which was 10% less than the August 1st forecast.

Then there is another factor also that one must take into account: namely, the losses we have had in recent years from the European corn borer. In 1955 more than 155 million bu corn grown for grain, worth some $182 million, was lost due to this damage. This is approximately 5% of the total national crop, although even last year this was a smaller quantity than was lost the previous year when 7% toll was taken from that source. Actually in 1954, we lost 192 million bu corn because of this infestation. Even so last year's loss from that scourge was the third highest of the past seven years, and we presume that to some extent the USDA will take such factors into its reckoning when crop estimates are made. Yet it is not safe to count our chicks before they are hatched, and while we are not generally purveyors of gloom and doom, we, nevertheless, feel that some mention should be made of possible setbacks, which may befall the crop as we enter the growing period.

There was not much news overnight but the carryover feeling from yesterday was a little friendly to beans, as the market had shown a good recovery after a sharp sell-off in yesterday's session. Even though oil prices were somewhat lower this morning, beans opened with a very firm undertone, and prices for old crop were at least 2 to 3¢ a bu higher. Wheat was also firm and there seems little chance of any moisture falling in southwestern areas, although even yesterday the outlook had not been too favorable in this respect.

Export business is being retarded in Canada as the strike continues, but the weather is quite favorable in Alberta and Saskatchewan, and it was also a little warmer in Manitoba although there had been further showers during the night. Reports from Saskatchewan and Alberta indicate that the cold, wet spring had caused damage to fall-sown rye and wheat. Following last summer's large crop in Italy, it is expected that the bread-wheat carryover will be in the neighborhood of 75 million bu, and besides this Italy still has 1,070,000 bu IWA wheat quota to take up by July 31st. The new winter wheat acreage was well protected during the severe freeze with a heavy snow blanket and moisture at present is satisfactory, although the season is unusually late.

Here at home Secretary Benson proclaimed a 1957 wheat allotment of 55 million acres and scheduled a referendum on marketing quotas for July 20th. If two-thirds of eligible farmers in the commerical wheat states vote affirmatively, they will get price supports at a level to be established later between 75 and 90% of parity.

Primary receipts of wheat were lighter today and amounted to only 805,000 bu. which compared with 702,000 bu last week, and 1,4 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 368,000 bu.

It was reported early that France had bought seven cargoes of wheat, and Germany bought about the same amount; and while we saw little evidence of hedge lifting there was a very firm undertone to the market, and we believe an investment analyist house made purchases of the July future, and the market was very firm all through the session. Beans were again erratic, but there seemed to be support on breaks, but local selling caused the break near the close. The May future went to a good premium over July, which also lent some strength to the market. Corn was somewhat higher, but short covering was mainly responsible for this action.

Broomhall's foreign summary on crop developments stated that weather is favorable over most of Europe, but additional rains would be welcome in some countries, particularly in the west. Growth has been backward in some areas, and even with favorable conditions the French crop will be far below normal.

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CHICAGO, 4

May 17, 1956

The trouble with so many of our laws is that we either do not enforce them or else give them some interpretation by which the original concept is completely forgotten. When the Agriculture Act was first set up, the system of price supports was coupled with a formula whereby acreage allotments would be at some specific level in order to prevent excessive accumulations. Had this been followed, there is some question as to whether even rigid price supports would have been as painful to our agricultural economy as they have been. For the fourth consecutive year now abnormally large wheat supplies have required the proclamation of marketing quotas for the next wheat crop, and for the third successive year the national acreage allotment has been set at 55 million acres, which is the minimum specified by law. It had not been the original intention that we should tamper with the formula, but rather production was supposed to be determined according to supply and demand factors. If we had carried out the original law on basis of what the framers of the bill had in mind, farmers would only sow about 12.4 million acres of wheat in the coming season. However, a legal minimum has been adopted by legislators, and we have been prevented from dropping to that level.

As Secretary Benson points out the plain fact is that, despite the valiant attempts to channel more wheat into exports, we shall still have enough wheat for the marketing year beginning July 1, 1956 to take care of our domestic and export needs for more than two full years. Wheat unquestionably continues to be one of the most serious problems in the whole farm economy. Should the new Soil Bank program become effective additional adjustments in production may result without further reducing the income of farmers. Current estimates are that the wheat supply for the 1956-57 marketing year, which begins on July 1st, will total 1,954 million bu. The normal supply determined under legislative provisions is 1,140 million bu -- enough to cover a year's domestic and export disappearance, plus a 20% allowance for reserves. Thus the supplies that will shortly be available are about 71% above normal, and with a limit on acreage cuts, it seems difficult, indeed, to improve the statistical situation very much even though the crop outlook is less favorable now than it was a year ago at this time.

Before our market opened this morning the news was somewhat similar to yesterday. It had been dry again overnight in southwestern areas, and there seems little chance for any rains during the next 36 hours. There were some scattered showers over the corn belt east of the Mississippi River but precipitation as a whole was unimportant. Weather is still somewhat on the cool side, but it will probably become slightly warmer tonight. In Canada there were showers again in southern Manitoba, which will continue to delay seeding operations but weather conditions continue favorable over Alberta and Saskatchewan. The Oklahoma weekly crop bulletin spoke of high temperatures and strong winds during the week, which rapidly depleted surface moisture, although late showers have greatly improved the moisture situation in most of the eastern two-thirds of the State. The drought continued in the Panhandle counties, and severe damage resulted from dust storms.

The first truck load of new wheat was received in Fort Worth, Texas, graded 62.3 pounds. 16% moisture and originated at Olney, Texas, from a field yielding 15 bu per acre. According to The Southwestern Miller, exceptionally small amounts of new-crop wheat have been bought so far in Kansas City compared to quite a large volume at this date last year. The same source reports that flour sales were rather small overnight, and while spring wheat mills are doing a moderately better business, bookings of hard winters are exceedingly small. According to Broomhall, U S wheat and flour exports for the week ended May 12th amounted to 6,850,000 bu, and since July 1st 251 1/2 million bu compared with 226.5 million a year ago.

Weakness in soybean oil brought about lower bean prices early in the session, but strength in the meal, coupled with some talk of the possibility of shipments of beans out of Chicago, brought about some buying, although best prices did not hold. In wheat, there was some evidence of buying of hedges against export business done yesterday, with the May gaining on new-crop months for a while. although finally losing ground. It was reported that Greece bought a total of 5 cargoes hard winter wheat for June and early July shipment, and it is presumed that these supplies will come out of government stocks, although the red wheat sold recently is expected to come from private supplies.

Primary receipts of wheat were 808,000 bu compared with a little over a million bu last week and about 1.5 million bu last year. So far this week wheat stocks in Kansas City and Minneapolis show a decrease of 502,000 bus.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO, 4

May 18, 1956

We have mentioned repeatedly in these letters that production expenses have probably affected net farm income more than any other item in the over-all picture. Fortunately these production expenses of farm operators are only up about 1% from 1954, but even this is a sizeable increase at a time when the general price structure and returns from sales of various commodities are on the decline. It should be mentioned, however, that within a period of fifteen years, all major categories of farm operators' production expenses have increased, although at different rates. Starting in 1940, at a figure of $6.7 billion, these expenses have risen to $22.4 billion in 1955, or an increase of about 232%. Depreciation charges on capital items, including machinery and buildings, have increased the most, about 400%. Farm mortgage interest payments, on the other hand, have increased the least-- only 40%. When analyzing these figures we find that there have been revolutionary changes in farming methods, and, for example, the number of hired workers has declined about 29% and the total use of plant nutrients has increased about 270%. While there have been fewer workers and fewer work animals on farms, the amount of machinery and fertilizers has increased without precedent, and then, too, there have been many other improved practices which have been adopted, although these have been costly. Nevertheless, by making these changes individual farmers have been able to increase their net returns over what they would have been otherwise.

Weather news overnight was not much different from what we had been experiencing earlier in the week. It continues to be dry in the Southwest, and even the five-day forecast is not very impressive. There may be one-tenth inch rain over a number of districts, but the topsoil drought is still a factor, although we have had a number of comments from friends in Oklahoma regarding the wheat crop, and in a general way they still figure that state could easily average about 15 bu per acre, with a good deal of high quality wheat in the northwest and north central territory even without rain before harvest. The general estimates are for a crop of 55 to 60 million bu, which is somewhat higher than the last government forecast.

Another factor that is important this season is that if the price is right, or in other words, wheat sells higher than the loan, it is quite apt to be sold as soon as it hits the scale, as farmers have no tax problems after the poor crops of the past two or three years. Thus in those sections at least we may have fewer impoundings and, consequently, more wheat coming into commercial use. It was reported early this morning that Commodity had sold exporters 300,000 bu No. 2 red wheat at equivalent to 10 over May FOB gulf for June shipment. Previously, it was thought that most of the recent sales of soft wheat to Europe would come out of private stocks, except as CCC cleans up stocks of old red wheat.

Our market opened generally higher in sympathy with a strong oil market and much higher prices for beans. The stimulant was a trade report that Italy is scheduled to buy some soybean oil on Tuesday for a total of 12,000 tons. Some of our friends tell us that these purchases are the same as those that have been pending for months, and it may be that shippers have more or less discounted this factor. In other words, they are prepared in the event the deal materializes.

Primary receipts of wheat today were a little over 1 million bu, or practically the same as last year, and compared with 1.5 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 544,000 bu. We expect a decrease in the visible supply on Monday, whereas last year same date there was an increase of about 3 million bu.

Trade was rather active at times, and beans, as we mentioned before, continued firm, but there was evening up prior to the week-end and at the last most of the early gains were dissipated.

The Senate by a vote of 49 to 31 approved a resolution whereby USDA could sell up to 100 million bu of low grade wheat a year for feed purposes at reduced prices. This had the effect of strengthening wheat, while by the same token it brought liquidation into corn. May wheat was independently weak, but there was no big selling. There is still 3 1/2 million bu of May wheat open, with Monday the last day for trading in the pit.

The Senate also approved an amendment that it would give the Secretary of Agriculture authority to deny price supports to farmers who violated a Soil Bank contract. Debate is still continuing on the provision of mandatory supports for feed grains. Thus there may be nervousness in markets for sometime to come.

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CHICAGO, 4

May 21, 1956

Agriculture has made tremendous progress during the last three decades. We are farming no more acres now than we did formerly but still with 350 million acres cropland under production, we have been able to take care of an increased population with a growth of about 60 million during that period. The simple truth is that we have been able through technological developments to grow more on the same amount of land, and still come up with large surpluses. During the past fifteen years science and technology have paid returns without parallel in history. This has not only been true of increased agricultural productivity, but also with new measures for human health, and there have been revolutions in nearly every field of endeavor, including power, transportation and communications. It probably would not have been possible except for the development and education of research men. Between 1900 and 1954, the colleges of this country awarded around 63,000 Ph. D's in science and engineering. The number has doubled each ten years. But this rate is not rapid enough to meet the needs of modern technology. Today, the demand exceeds the supply of scientists in nearly every field. This shows up very strikingly in our work, for agriculture-- like medical research, it draws upon all of the sciences.

Before our market opened this morning there was not too much to guide it. Weather had been clear over most of the country, and temperatures in the Southwest had been moderately high yesterday, with a few extremes reported in parts of Kansas. This may have been the reason for a higher opening in July and September wheat, but on the other hand the harvest movement is expanding and is now going strong in North Texas. At one of our stations in Oklahoma we received a fair amount of wheat over the week-end and yields in that part of the country were reported quite high, despite some adverse weather conditions that have ruled up to now. It will probably be the middle of the week before harvest is general over more widespread areas of Oklahoma, and up to now there has not been much hedging pressure in the pits, but, nevertheless, a little selling does seem to come in from time to time.

Late Friday night the Senate completed its work on the Farm Bill and compromises were reported which are thought to be more agreeable to the administration, particularly with respect to the higher supports for certain feed grains. The new bill will not permit advance payments on the Soil Bank but it does look as though some of the disgruntled farmers in the corn belt might be relieved if they are able now to get a support of $1.25 even though they do not comply with acreage allotments. As we understand it the measure now goes back to the House Agriculture Committee and probably to conference, and certain opinions are now being expressed that it may not take more than a day or two to work out some kind of agreement. It is expected that there will be a one-year freeze on parity prices of wheat, corn, and peanuts to prevent the over-all reduction that had been slated for 1957. This was also an administrative compromise to replace a two-year freeze that was in the bill as it first came to the Senate floor.

Corn planting seems to be under way now with ideal conditions reported over many parts of the belt. Some early plantings in Illinois are up already, showing good stands. Planting of soybeans has also been making good progress and many farmers in southern and central Illinois have completed their sowings. There seems to be some curtailment in the processing of soybeans as the conversion margin is not favorable. Besides this we are of the opinion that some people who are in position to wait for the new crop may be influenced by the large discount of price for the September and November futures as compared with July.

Chicago wheat stocks decreased 54,000 bu, leaving 4.2 million bu here. Local corn stocks increased 358,000 bu to a total of 18.3 million; oats increased to a little over 2 million bu, and there were small decreases in both rye and beans.

We had one report from our Kansas City office today that there may be some losses due to dry weather. These reports were mostly from north central Kansas, also from eastern parts of the state and western Missouri. Flour sales were next to nothing.

May wheat on its last trading day was subjected to liquidating sales and commission houses were apparently willing to even up with the result that the nearby position lost ground on July and September. However, during the last half-hour of trade fluctuations were very rapid and there were a good many bulges as apparently also some shorts found it necessary to cover in the pit. Judging from the closing pricesit shows what happens when even the Chicago free stocks are small but the commercial demand is slow. Beans also had wide fluctuations but there were no

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CHICAGO, 4

May 22, 1956

One thing that price supports fail to recognize, or in any event, cannot accomplish, is to bring automatic adjustment between supply and demand. When prices are permitted to fluctuate freely, there is almost an immediate response on part of consumers and producers. A year ago at this time July soybean oil was selling at about 11.45. This was on basis of July bean prices that were bringing a return of $2.44, basis Chicago. During the period of heavy oil offerings we had a decline to about 9.85 with gradual recovery that was intensified by the adverse news from Spain, Portugal, and France, with a recent high of 16.76, indicating that whatever changes occurred in world trade were almost immediately reflected in the price levels of our beans and of bean oil. As a result of the sharp advance there was naturally some curtailment on part of the foreign buyer, while at the same time it is now thought that Argentina may have an exportable surplus of edible oils -- amounting to about 11,000 short tons. This falls on the heels of an importing program, which for the last three years was necessary to supplement their own domestic production. Thus we have another example of supply and demand at work, and something that could not have been accomplished had we had artificial markets such as exist in some of our grains. It is true that harvesting of oilseeds is not complete in South America and some damage to the crops by heavy rains is reported, but with the major increases in the price for sunflower seed and peanuts, there was a natural stimulus, and thus we may find that despite shortages in parts of the world there may be some offsets as we have just mentioned.

When we look at the soybean price of $2.44 which prevailed a year ago, our July beans at the present time appear extremely high. We appreciate that there may be a rather close adjustment before another crop comes to market. On the other hand with the November and January futures selling at such great discounts, we have every reason to feel that there may be great economies, and the only thing that might change this would be if our government granted larger allocations than we could comfortably accommodate. That, of course, would be an artificial factor and it is one that cannot be entirely forgotten. We have found that under P. L. 480, where we sell our goods on basis of foreign currencies, it does create a big demand for some products, and even our wheat and flour exports have been larger, stimulated through this device.

Before our market opened this morning there was not too much to guide it. The carryover feeling from yesterday was not entirely bullish, and the fact that May beans expired without any undue excitement may have disappointed some July holders, particularly as the oil market showed further declines late yesterday, and there was more selling of oil in the pit this morning.

There had been a few nice rains over the corn belt and we heard of two points in Illinois that had 1/2 inch. The Southwest was mainly dry athough during the session there was a report of 3/4 inch moisture in northeastern Kansas, and the five-day forecast is rather optimistic for generous amounts of rain in some sections, although there will probably not be much in the Texas Panhandle.

One of the exporters was said to have sold Norway 225,000 bu No. 2 red wheat for shipment by July 10th, FOB Albany. The price figured about 29 1/2 over Chicago July. Chile was a buyer of about 50,000 tons.

Primary receipts of wheat were a little less than a million bu today, which compared with 1.2 million bu last week and 1.3 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 262,000 bu.

Trade was fairly active and there was liquidation in beans, which at one time carried the July future to within 1/4¢ per bu of the 10¢ daily permissible decline, but on the break there seemed to be a little buying, which gave us moderate rallies. Corn was independently strong for the old-crop futures, influenced by a rather firm cash market, also news from Washington that the Conferees had agreed to scrap the plan for 100 million bu wheat to be used for feed. There was also some spreading today by way of purchases of the nearby months against sales of December. The USDA predicted firm prices for corn during the next two or three months because as they claim big government stocks have tightened supplies available on the market. They did say, however, that prices for oats and barley would probably decline seasonally later this spring but that the dip might be less than usual because prices are not far above support levels. Wheat was inclined to weakness and there was selling by an analyst investment agency. There was undoubtedly some hedging from the Southwest as the movement is getting a little more under way.

The late map is not quite as favorable for moisture Southwest.

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CHICAGO, 4

May 23, 1956

Another Farm Bill is about ready for Presidential signature, and chances are that before long it will become law. The main feature is the Soil Bank Program, which this administration has sought, and by which it is hoped that we will cut down our productive resources by curtailing acreage and thus finally reducing surpluses. We hope with all our hearts that these aims will be accomplished, but we have some doubts in our minds whether this will be the case. 25 years ago we had a cotton acreage in this country of some 43 million acres; in 1956, the acreage is not 43 million but has been cut to 17.4 million-- certainly a tremendous decrease. A quarter of a century ago before the American cotton growers were given the benefit of support prices, foreign production of cotton amounted to only 12 million bales. This past year foreign production was not 12 million bales but 25 million bales. Thus it can be seen how high prices stimulated activity in other countries, all of which was done at our expense. 25 years ago the U. S. exported 7 million bales of cotton. During the present year our exports have dropped from this figure of 7 million to about 2 million. Even at home high prices brought in substitute materials, and if we go back again to 1930, we find that synthetic fiber consumption in the U. S. totaled the equivalent of about 1/4 million bales of cotton. Today the synthetic fiber consumption has reached the equivalent of about 4 1/2 million bales. So it must be clear that the cotton industry through these artificial processes has suffered losses in home and foreign markets, and this year we shall have a carryover reserve of nearly 15 million bales. This is the largest carryover in history and a major threat to world cotton markets. What is probably of equal importance is that producers of cotton have lost their freedom as well as their markets.

Before our market opened this morning, there had been some fine rains reported over various parts of the country. The corn belt had some nice precipitation, which is always helpful at this season of the year. In addition to this there was some nice moisture over portions of Kansas, Nebraska, and Texas, including the western part of Kansas, although the rains were mainly in central sections. Salina, Wichita, and Hutchinson were all benefited, while a heavy rain fell also during the night at Kansas City. The weather map is still unsettled and chances are that we shall have more rains in Kansas, Nebraska, and Oklahoma, and they may even extend to Texas.

We also were told that there was an expansion in oil trade, and Italy was an overnight buyer for both cottonseed oil and soybean oil, shipment to be made during June. Spain and Greece were likewise back in the market, and this gave us higher prices for oil, which in turn affected the bean market. Reliable advices indicated that during June Greece would be a buyer of some 15,000 metric tons of edible vegetable oils in this country, involving 5,000 tons a month for August, September, and October. The advices with respect to Spain were encouraging, that country indicating that they would purchase $10 million worth of oils for free dollars.

According to Broomhall rain is needed in a number of European countries. Warm weather and winds have hastened evaporation. The moisture situation is not serious and crops in most areas are progressing well. Sunny days in France with rain at night have been very favorable for growth of crops. Current estimates are for a wheat yield of around 243 million bu, which is about in line with earlier estimates and compares with average home needs of 254 million bu.

During the session further reports of rains, particularly in the central area of Kansas were received. We heard from quite a few of our offices in Kansas as to wheat prospects in their territory, and such points as Hutchinson, Salina, and Wichita report that conditions are better than a year ago, but it is difficult to venture an opinion on the ultimate outcome. Topeka, Kan., reports that wheat is rather sickly looking, and more so as one goes west. Norton, Kans., reports conditions considerably worse than a year ago, while Hastings, Nebr., compares the condition favorably with last year. Harvest is spreading in the southern part of Oklahoma, with wheat selling from 3 to 8¢ over the net loan to farmers. Enid, Oklahoma, reports they had 20 new cars of wheat in today averaging testweight of about 62.2.

Markets were more quiet today. Early in the session beans had a sinking spell due to scattered commission house selling, running into stop-loss orders. However, as the session progressed better support was found, particularly on part of locals. Flour business is still rather inactive, with the trade showing only a minimum of interest.

Shortly before the close it was announced that the House passed the compromise bill by a vote of 304 to 59, thus sending it to the White House for signature or veto by the Chief Executive.

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CHICAGO, 4 May 24, 1956.

During the first four months of the calendar year farmers received about $7.9 billion from marketings. Prices averaged 6% lower, but the volume of marketings was slightly larger, so that the net result was a loss of about 5% as compared with a year ago. The government believes that we shall enjoy a larger export business in grains to Europe during the coming season, as a result of their severe winter and poor spring growing conditions. Besides this, they point out that legislation is now pending to increase authorization under foreign currency sales and emergency relief provisions of P. L. 480. They also believe that with additional funds available to pay ocean transport on donated commodities which are distributed to needy persons abroad through relief agencies that this may tend to stimulate larger shipments. In addition to all this, the government is currently studying a NATO proposal to create a food stockpile using U S surpluses of such commodities as wheat.

Overnight weather disclosed that it had been mostly dry over the corn belt, but on the other hand, there was some nice moisture Southwest, with the heaviest falls in southern Oklahoma and in the Texas Panhandle. Scattered showers and thunderstorms are expected tonight and probably Friday in the Southwest, while probable showers are likely for the corn belt west of the Mississippi by Friday, and east of the Mississippi by Friday night or Saturday, with gradually rising temperatures. While the rains may have come too late to do much good for the wheat in Texas, nevertheless, they will enhance prospects for sorghum grains, which is very important. They also will improve pastures.

Before our market opened this morning soybean oil was higher, and this naturally had some influence on opening prices for beans. A good many people in the trade, who are well-posted, point to the fact that crushings and exports of oil through April were at record levels, and all of us have known for some time that these heavy crushings were encouraged by a strong export demand for edible oils, reflecting the short olive crops in 1955-56. On the other hand, prices for soybeans have increased relative to the total value of products obtained from a bushel of beans. Thus, this situation bears watching. To be sure bean supplies are tightly held. A large percentage of the remaining stocks appear to be owned by processors who naturally will weigh the chances of crushing the beans themselves aginst selling them on the open market. The number of beans remaining in farmers' hands is comparatively small, and on April 1st this stock was only about half of last year's total.

According to Broomhall, U S wheat and flour exports during the week amounted to 6 1/2 million bu, and the total since July1st has amounted to 266 milkon bu vs 230 million bu a year ago. Thus it appears likely that while our carryover reserve on July 1st will be larger than a year ago the increase may not be as great as had been earlier expected. For the coming season France may import wheat rather than to ship it out. From last August through March they exported 63 million bu compared to 83 3/4 million bu the full season last year. U.S. corn exports for the week were 2.3 million bu, and the total since October 1st has amounted to 73 3/4 million bu --an increase of 20 million bu over a year ago.

Primary receipts of wheat were a little over 1 million bu today which compared with 808,000 bu last week, and 1,240,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 482,000 bu.

The wheat market was weak after the opening, but later there were reports from the Southwest that rains in Oklahoma were delaying harvesting operations, but still there were 188 cars of new wheat at Enid. During the session we had reports of further rains in Kansas, with .40 inches moisture at Liberal; also rains at Wichita, but wheat had some recovery as there was not much new pressure on the market. Corn was rather firm, and the spot market was 4 to 5¢ over, which imparted some strength to the nearby, with July and September selling at about even money. Beans were erratic, but the volume of trade was somewhat smaller than earlier in the week. Locals were about the best buyers on breaks, and we understand there will be a resume shortly by one of the commission houses which has close contacts with oil people, predicting a very small carryover in beans at the end of the season. Best prices for oil did not hold, and while sentiment in beans is predominantly bullish there seemed to be some selling on minor advances, and the market appeared to be a more two-sided affair.

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CHICAGO, 4 May 25, 1956

Secretary Benson spoke before a large group at Hot Springs, Virginia yesterday, and quoted on a number of occasions from a Senator's viewpoint strong opinions, which we shall requote here in an effort to pass along something that we regard as fundamentally sound: "Long continued government price fixing and production controls will create an inefficient agriculture... One of the inevitable consequences of long continued production controls is to divide the right to produce among more and more people on an equal per capita basis. I do not think this is the road toward an efficient, prosperous agriculture.... I am convinced that the economic law of supply and demand will inevitably prevail. It will eventually write the civil law. The government has partially suspended the operation of the laws of economics temporarily in the price support and production control laws with the resulting confusion in the market and supply situation we face in agriculture today." The Secretary while giving some arguments in favor of the Soil Bank also pointed out some of the weaknesses. He said it was not to be regarded as a program that would be a "cure-all" for agriculture and that it would not of itself whip the farm problem; rather he regarded it as a many-sided attack on a many-sided problem. The Secretary is a man who believes strongly in individual freedom, and in his talk yesterday he said that in our eagerness to achieve security along the road of materialism, we have undermined in many cases our spiritual resources. He does not believe that economic problems can be solved by political nostrums and panaceas.

Before our market opened this morning we had reports from the Southwest that there had been scattered showers and these, of course, will be helpful. The weather map continues to be unsettled and chances are according to both the daily forecast and the five-day weather outlook, we shall have more rain in Nebraska, Kansas, Oklahoma, and possibly Texas during the next few days, with slowly rising temperatures. In the corn belt it will be fair today and tonight but showers are probable west of the Mississippi by Saturday and east of that point Saturday night or Sunday, also warmer temperatures. The oil market, which had weakened after the bean market had closed yesterday, was lower again this morning, and thus it was a foregone conclusion that the bean market would be influenced. Everyone knows that the carryover reserve in beans is going to be very small, but by the same token we almost have to have a trivial supply of beans left over at the end of the crop-year, as long as there is such a wide difference in price between the July and November futures. If there were enough to go around and still afford a surplus, we would not have a 64¢ differential such as was the case on basis of last night's close. Had we had a big carryover as many people had thought possible based on the size of the crop, the whole story would have been different. Thus it remains to be seen how much of the bullish news, because of heavy crushings has already been discounted.

It is reported, although not definitely confirmed, that Turkey during the past few days has bought 5 or 6 cargoes No. 1 hard winter wheat with the option of substituting No. 2 grades, shipment to be made early June out of the Atlantic. Also, they spoke of one cargo Pacific Coast wheat that was involved, all of it coming under P. L. 480.

Primary receipts of wheat were somewhat over 1 million bu, which was slightly more than last week, but nearly 300,000 bu less than last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 555,000 bu. When the visible supply of wheat is posted on Monday it will show a fairly large shrinkage compared to a decrease last season of only 267,000 bu.

Grains were all on the soft side, and with the fine weather outlook this is not surprising. Canadian prices were also lower and they reported moderate selling of rye, flax, and other commodities with rather thin support. Our beans are being liquidated, and the market ran into stop-loss selling, and rallies during the session were feeble. During the session we had reports of rain at Hays, Kansas, and also at Great Bend; apparently in southwestern Oklahoma showers have delayed harvesting operations, but no doubt operations will be resumed after clearing conditions set in. Flour demand was of very small volume.

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DAILY MARKET LETTER

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NEW YORK COCOA EXCHANGE
NEW YORK COFFEE AND SUGAR EX.
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MERCHANTS EXCH. OF ST. LOUIS

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TELEPHONE HARRISON 7-6282
141 W. JACKSON BLVD.

MEMBERS:
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DULUTH BOARD OF TRADE
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FORT WORTH GRAIN AND COTTON EX.
CHICAGO MERCANTILE EX.

CHICAGO, 4

May 28, 1956

The really dry sections of the Southwest finally received soaking rains. There can be no doubt that this will be beneficial to the soil and will restore pastures and legumes of various kinds even though it came too late to materially help wheat in Texas and Oklahoma. Nevertheless, the southwestern part of Oklahoma received a good drenching, having had anywhere from 1 1/2 to nearly 3 inches, while the west central received 1 3/4 to 2 3/4 inches rain. Altogether the map has probably been as unsettled as anything we have had in many months, and it would have made a great difference had these rains come earlier, but still they should be very helpful to the districts more to the north where undoubtedly wheat yields will be enhanced. As one writer expressed himself this morning, the rains, which have been general over the Mid-West, and the higher hog prices, have brought more smiles to farmers than all reports of government actions.

It was almost a foregone conclusion that our markets would open lower this morning, although one must take into account that with unsettled weather conditions still prevailing Southwest and more showers and thunderstorms likely in Oklahoma harvesting operations will be delayed, although in our opinion the offsets are very much more important and certainly there can be no great scarcity with the tremendous wheat stocks that will stay in the carryover reserves even though the bulk of this wheat is in government hands. There was also a sharply lower opening in beans, and this was brought about because of lower oil prices, and we now find that bean oil has receded about 300 points from top levels. While we have enjoyed a large speculative business in beans, there has been a narrowing in processing margins between the bean price and product prices, and in our opinion, the recent adjustment, while long in coming, is entirely in order. We appreciate that the carryover reserve of beans is apt to be quite small, but as we have expressed ourselves before, it would almost have to be that way in order for the July future to maintain its big premium over new-crop futures. As of April 15th, there were still government loans on 10 million bu beans at about $1.00 a bu over support, and it can only be a question of time before redemptions will occur so that these beans will come back on the market.

The crop outlook for both corn and beans is extremely good, and this, too, will have an influence on old-crop positions at least to the extent that users of grain will naturally limit themselves to bare needs. For that reason we feel that so many of the stories circulating now about a scarcity before the new crop is harvested will finally show that the situation is not quite as acute as it appears to be on paper, but that rather more economies will be practiced.

Chicago wheat stocks showed a decrease of nearly 400,000 bu, which leaves 3.8 million bu in this market. There was a rather sharp decrease in local oat stocks amounting to 257,000 bu, which leaves only 1 3/4 million bu here. Beans increased 133,000 bu to 6 1/2 million, and there were small decreases for rye and corn.

Markets were mostly on the weak side. July beans were under liquidating pressure, selling was quite general, and the nearby month declined the full 10¢ permissible limit. There has been a good deal of bullish expression due to the close adjustment that may be witnessed before the end of the season, but traders generally were influenced by action of the market, and selling was rather persistent throughout the day. Corn, oats, and rye were particularly weak, and there was no special news except that when we have a predominance of selling it often becomes difficult to get much support, and this was certainly the case today. The wheat market held relatively firm. There are quite a few people who are bullish on the theory that our exports are now turning out larger than had been earlier estimated. Moreover they think from next year's crop there will be more shipped abroad out of private stock than from government holdings. Kansas City has been gaining on Chicago, which may also have attracted some attention. In any case, rains in the Southwest have been quite heavy, with the result that even if it should clear now in southwestern Oklahoma it would be several days before harvesting operations could be resumed. The rains were so heavy that the M. K. & T. RR. bridge between Altus and Duke had been washed out. Oils and lard were weak.

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CHICAGO, 4

May 29, 1956

Late yesterday the President signed the Farm Bill. He had some reservations in doing so, but stated at the time that he hoped the Congress would review and repair the shortcomings of this legislation, but meanwhile he felt that the advantages outweighed its harmful provisions. Mr. Eisenhower called the Soil Bank the heart of the Bill. There is considerable doubt whether crops this season will be much influenced as most of the planting has already been accomplished, but in the long run the purpose is to cut acreages by offering farmers sufficient incentive so that accumulated surpluses may finally be reduced.

Mr. Benson, in a speech before the Union League Club in New York earlier this month, called attention to the fact that: "On many crops acreage restrictions have failed to control production-- because farmers have intensified their operations on their allotted acres. Then marketing quotas, which are more restrictive, have to be invoked. There is no voluntary compliance with such controls." We appreciate that the Soil Bank program differs from previous legislation, and we hope it will work, but as Mr. Benson himself stated: "It is not a panacea-- not a cure-all."

Before our market opened this morning there were a number of factors with which the trade was faced. First, the April crushings had been somewhat larger than had been expected, and this gave us a higher opening in beans, although there was considerable selling on the advance, particularly of the July future by discouraged holders who apparently wanted to even-up before the holiday.

The Federal Reserve announced late yesterday that they would begin to relax credit, although the trend toward ease will probably be slight. Governors of the New York Bank were inclined to think that there was no reason for alarm and that the major monetary policies should not be completely reversed at this time. Earlier this month we pointed out that those men whose function it is to try to bring about a proper balance between inflation and deflation have a difficult task, to say the least. At the present time the cost of business borrowing is at the highest levels since the early 30's. Discount rates had been raised for the fifth time within a year, and apparently these steps were taken to avoid inflationary pressure. As we stated, "Curbing a boom by means of monetary policy is a delicate operation that calls for great skill, as untimely and too vigorous action could bring about a recession, while conversely an unchecked boom could lead to serious inflationary developments."

It took a long time for the rains to get started. Ordinarily May is a wetter month than April but unfortunately we did not have the precipitation three or four weeks ago when it would have done more good than at present. Nevertheless, the soil has had a good drenching, and while harvesting operations had been impeded in the earlier districts we do not expect that any permanent damage has been done; in fact, the later fields will probably benefit by heavier yields. Meantime there is not much pressure from the country, and with most of the wheat carryover in government hands it is going to take some time to fill up some of the holes. For this reason a good many people are somewhat friendly to the market, at least until we get to the point where stocks have accumulated to better proportions. Others are friendly to the wheat market on the assumption that we may do a larger export business through private channels with the wheat coming from the free supply rather than from government holdings. In the Northwest the Peavey report speaks of optimism with regard to crop prospects and small grain was showing good stands and color. However, more rain in that territory would be welcome. The completion of field work has progressed rapidly in most areas during the past two weeks. Weed problems are about normal so far except for wild oats, which is generally bad on irrigated fields.

Primary receipts of wheat were 1.1 million bu compared with a little less than 1 million bu last week and 3.3 million bu last year, which was over a holiday period. Kansas City and Minneapolis stocks so far this week show a total decrease of 252,000 bu.

Beans had a better undertone following yesterday's break, and buying of the deferred months was based on the possibility of sustained demand for oil into the new crop, and the possibility of acreage being a little less than was earlier expected. Wheat and corn had been pretty well liquidated, and there was buying of these two cereals today, with the result that we had higher markets. The delayed wheat movement may spread pressure over a longer period, and may be offset by improved demand, although at the moment the milling trade is extremely light. Rye

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CHICAGO, 4

May 31, 1956

The law of supply and demand has scored another victory. This time it worked in coffee. Nobody liked high prices, and, indeed, with housewives complaining there were any number of investigations, but still no artificial stimulants were adopted. As a result of the advance world production of coffee increased at least 18% this season over last year. Moreover, it now seems likely that the relatively small carryovers from 1954-55 may be doubled this year, despite a rise in world requirements, The real surplus is in Brazil, and it is believed that at the end of 1955-56 world carryovers will approximate six months' supply of coffee. What has happened? The high price also had its effect upon consumption, and, notably, in the U. S. The per capita consumption of coffee declined from 18.5 lbs. in 1949 to 14.7 lbs. in 1954. Then came a decline in coffee prices in 1954-55, and our consumption recovered to 15.2 lbs. per person, and if USDA forecasts are correct it will probably reach 15.5 lbs. in 1956. Here we have a good example of economical readjustment without artificial stimuli and without discommoding the public too much except over short periods of time. In the long run we shall probably have coffee prices stabilized at a level fair to both consumers and producers.

Before our market opened there had been reports of heavy rains over three-fourths of the State of Kansas. The amounts ranged from 1/2 to well over 2 inches in some places, and this will undoubtedly bring benefits and halt deterioration in those territories where they had protracted drought. The moisture may have come too late to offset much of the permanent damage already sustained to the crop in western areas, but yet is bound to do some good, and will surely restore moisture to the soil. In that State development of the crop has been quite rapid and harvest is expected to start along the Oklahoma border within the next two weeks. There were also some rains in Oklahoma but they were more moderate, and we heard that late Tuesday before the additional rains there had been the first loads of wheat delivered from Garfield County, with heavy test weight, which generally is indicative of good yields. Here in Illinois planting of corn is rapidly nearing completion, the job being about 95% finished. Germination has been rapid and green rows are evident in many fields throughout the State. In Iowa crop conditions are generally good, but except for the east central areas additional moisture is still wanted. Nevertheless, oats and early-planted corn, which have emerged, are showing good heads. Corn planting in that State was virtually completed by May 28th, and for the entire State 95% of the total corn acreage has been planted. Soybean planting was accelerated this past week and about four-fifths of the intended acreage has been sown.

U. S. Exports of wheat and flour were very heavy during the past week, with nearly 8 1/2 million bu cleared, according to Broomhall. This brings the total to 278 1/2 million bu vs 235 million a year ago. We shall probably exceed earlier expectations for total wheat shipments by about 25 million bu.

In Europe recent moisture has benefited some sections, and while there are still a few dry areas, Broomhall tells us that there are no serious complaints. Conditions are favorable in France, and while the final outturn will be far below average some improvement is noted. Good rains in Western Germany except in the North make the outlook quite satisfactory, while in Italy conditions are very promising, although growth is backward.

Statistics did not count for much and markets were on the weak side until about mid-session when Secretary Benson announced that farmers would be paid to plow under growing crops this year under the Soil Bank. They would receive $1.20 per bu national average on wheat, and 90¢ on corn, but the Soil Bank payments will not be available for acreage on which crops are too far advanced. It almost takes an additional attorney and an accountant for each farmer to figure out whether he should continue farming or whether he should mow down his crops if they are not too far advanced. However, we continue to doubt whether the program will have too much effect on this year's production. Nevertheless, it did create nervousness on part of shorts, and they covered.

Flour demand is practically at a standstill, but the demand for corn was very good. The spot market was quoted 4 to 5¢ over July nominally, and in some cases considerably higher prices were paid. There was little pressure on wheat today as cloudy, damp weather is still reported over many parts of Oklahoma, and this is delaying harvesting operations. September beans were very strong, although the other futures also closed higher. Oils and meal were both strong.

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CHICAGO, 4

June 1, 1956

While it is generally acknowledged that wheat and cotton have caused greater headaches for USDA than probably any other commodities, we cannot overlook the rice situation, which on a minor scale has become quite a problem as production in this country has expanded so rapidly during the last two decades. During that period our crops rose from 18.2 million cwt to a record of 64.5 million cwt in 1954. The domestic disappearance of rice for 1955-56 is estimated at 27.9 million cwt in terms of rough rice, and, therefore, we have to find export markets for the balance or else face large accumulations. In spite of a rather heavy export program that came about largely because of Japanese purchases for foreign currency, and did bring some temporary improvement, still the carryover next August will probably increase to about 32.7 million cwt, or about 10% higher than the year before. Thailand today supplies 25 to 30% of the rice on world markets. That country vies with Burma for first place among the rice-exporting countries of the world. They have just embarked upon an extensive program to greatly increase rice production in the next few years. This will be done through irrigation projects and through fertility programs, so that when these two projects now under way are completed, it is hoped that rice production will rise by 800,000 metric tons annually. They hope to reap two crops a year on lands which have been producing only one marginal crop through these improved techniques. Thus we seem to meet increased agricultural competition in one commodity after another as we struggle to improve price levels at home through artificial means.

Before our market opened this morning, there was the weather, and while some rains were reported Southwest, it appears to be clearing, and we would say that over-all the territory has been benefited except possibly for Iowa, where portions of the state have had insufficient rain. Several of the crop reports from Kansas are quite optimistic since the rains and present temperatures are perfect for filling.

We also had parity prices published, with an increase of 3¢ a bu for wheat and corn and a 2¢ advance for beans, which might give us higher loan levels for the 1956 crop, but not too much attention is paid to this factor, although the trade is still in a quandary as to what will happen to corn acreages as the result of Mr. Benson's offer to pay Soil Bank incentives for plowing up. A number of commission houses were buyers of the December corn and sellers of July and September, possibly believing that there was too great a difference between old and new-crop positions.

The Quaker Oats Company, in its weekly summary, spoke optimistically of growing conditions where adequate moisture prevailed. Oats in the Mid-West corn belt states have made advancement during the past two weeks and for the most part look exceptionally good. However, in western Iowa, eastern Nebraska, and northeast Kansas, as well as northwest Missouri, inadequate moisture may make for short crops.

Primary receipts of wheat were 826,000 bu compared with 1 million bu last week and 1.2 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 626,000 bu. When the visible supply is posted on Monday we expect a reasonable decrease which will compare with an increase last year of 1,380,000 bu.

Markets were much more on the quiet side today. Wheat was weak, and it is figured that with no rain forecast for parts of Oklahoma that harvesting operations will be resumed shortly. Most stations are now paying 1 to 2¢ under the net loan. U. S. D. A. announced specific prices at which they would support wheat. #2 red wheat at both Chicago and Kansas City will be $2.30, with the Galveston price $2.45. The December and March corn futures were strong today, and no doubt the Soil Bank feature may have prompted some buying. New-crop futures gained on the old, and there was considerable spreading. Beans, which were strong early, became weak late in the session on moderate liquidation. Hardly any attention was paid to a report from New Delhi that India would buy 37.3 million bu of wheat between November and May of next year, in the open market of U.S.A.

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CHICAGO, 4

June 4, 1956

According to press dispatches many important changes are taking place in Russia and that country likewise has new leadership in agriculture, with Trofin D. Lysenko, long-time czar of agricultural research, being replaced by P. P. Lobanov, former Deputy Prime Minister. Retardation of agricultural research and faulty farm practices advocated by Lysenko doubtless contributed to the serious weakness of Soviet agriculture with which the post-Stalin regime had been so much preoccupied. Last year, Lysenko and his school were accused in the Soviet Botanical Journal of harmful opposition to research on corn hybrids. This is a serious charge in view of the importance of hybrid varieties for expanding corn production on which the Khrushchev regime is firmly set.

Before our market opened this morning we had advices from the Weather Bureau that starting today the five-day outlook would be published three times per week, and these reports will be made on Monday, Wednesday, and Friday of each week. The weather map still looks unsettled for the Southwest and showers are likewise expected Northwest although the corn belt should be mostly clear. The country looks like a garden spot, particularly in the Central States, and those who were touring came back quite optimistic over the prospects.

As against this one has to determine whether the acreage cuts will be of any importance due to the incentives that are being offered under the Soil Bank Program, and our feeling is that the corn belt will be very little affected, and this is confirmed by our advices from downstate. We are also told that except for isolated cases farmers in the Northwest would not participate in the Soil Bank this season, and that this was the general opinion in that part of the country. Meanwhile, farmers have been warned that because of the many uncertainties and the policy decisions still to be made farmers should not plow up any crop or take any other irrevocable steps until they could sign a contract with their local Committeeman. This precautionary measure was to avoid future trouble, and farmers should not be in a hurry until they get all of the details.

We also heard that CCC would resume offering corn for export at the Atlantic Seaboard on a bid basis. With the large stocks the government owns this is not an unexpected move. Meanwhile a few parcels of corn and milo have been worked to the Continent.

There were some showers over the week-end in Alberta and Saskatchewan, also northern Manitoba. However, seeding is just about completed, and further moisture now would be beneficial. One of the private crop reports will be issued tomorrow and will probably confirm the recent Santa Fe report, which told of heavy abandonment of wheat acreage in Texas, which was over half the seeded acreage, and results for that state will probably be very poor as has been known for some time. We do feel, however, that there will be some increase in the Oklahoma production, and should not be surprised to see an increase for the entire winter wheat crop over the figures issued last month.

Broomhall reported beneficial rains over large sections of Europe last week, which relieved dryness and which had started to cause concern in some areas. The over-all crop situation on the Continent has shown improvement in recent weeks and the same holds true of the U. K., where considerable rainfall occurred recently. Wheat seeding has gradually expanded in Argentina but it may be some time yet before any accurate idea can be obtained regarding extent of the acreage to that crop and effects upon plantings of the recently announced higher guaranteed prices. Recent rainfall has been light and a number of sections will need moisture shortly. In Australia wheat seeding is reported to be well advanced.

Chicago wheat stocks decreased 319,000 bu, leaving only 3 1/2 million bu here. There was a big decrease in corn stocks of 644,000 bu, reducing holdings in Chicago to 17.7 million bu. Oats decreased 255,000 bu, and bean stocks declined to 6 million bu.

Trade in the various pits was not big. There was rather persistent buying of wheat futures on the strength in Kansas City, but also due to the general belief that exports during the coming season might come from private supplies rather than from government holdings. Offerings were light, and it was difficult to buy wheat except by bidding it up. There was a good deal of professional buying of September soybeans, and new-crop months gained considerably on the old. July beans declined early on stop-loss selling but had a good recovery. December corn turned strong, and on the whole sentiment was rather bullish all around in spite

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CHICAGO, 4 June 5, 1956

The results of the Iowa Primary showed a rather definite trend on farmers' thinking, as the defeated candidate had been waging a contest in favor of rigid supports, while Senator Hickenlooper, who supported the Administration's flexible price supports, was victor. We have felt for some time that it was fallacious to believe that farmers did not understand agricultural problems, as many realize that the surpluses have been built up largely due to artificial price levels.. We should like to quote from a farmer who operates 275 acres in the Illinois corn belt: to wit - - "I realize full well that agriculture may not require my services much longer at the price I must ask for them. When that fact is made clear to me, I shall welcome the opportunity to move to an occupation where I may perform a more useful service for my neighbors. It is only by this process that our living standards improve. It disturbs me to find that some men believe that the world owes them a living in the occupation they prefer and in the style to which they would like to become accustomed. I do not believe that many Americans will sell out their heritage of opportunity for the elusive security of a miserable work ration assured by law."

Unquestionably there must be thousands of other farmers just like this gentleman, who prize their freedom, and who do not believe in regimentation and socialized trends in agriculture. It is difficult to make people believe that the farmer who grows wheat to feed his herd has done an immoral thing whatever the law may say, and yet we have on our statute books laws which make it illegal for a farmer owning or leasing his own land to grow on it the crops of his own choice. There have been a few cases where such people were subject to prosecution and fines when they exceeded their allotments, but the truth of the matter is local and federal agents have approached these matters with great timidity.

Shortly after the opening Galvin released his June crop report, and estimated the production of winter wheat at 663.4 million bu. This was quite a cut from the government forecast of 681.4 million bu in May, but it was more than offset by a figure of 226.5 million bu for spring wheat, which, if realized, would give us a total yield of nearly 890 million bu. On that basis we would not cut very sharply into our reserves one year hence unless we step up exports very materially, and of course, that is possible with shorter crops in Europe. Nevertheless a trader must have certain reservations at this time, as the business abroad may be handled largely from free stocks rather than out of government holdings. The oat crop was estimated at 1,444 million bu, which is somewhat smaller than last season but better than the 10-year average. There were no figures given on corn as it naturally is too early, but this expert estimated the acreage at 81.6 million acres, which was a little larger than last year, and he estimated the soybean acreage at nearly 21.5 million acres -- a big increase over 1955. The ten-year average acreage is only 14.3 million acres.

Primary receipts of wheat were 1,083,000 bu which compared with 1,149,000 bu last week and 1,334,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 286,000 bu.

Trade was not particularly heavy although fluctuations in beans were quite erratic, particularly for the July future. There was one item on the broadtape claiming there had been advices from a reliable source at Washington that USDA would not make any further vegetable oil allotments under P L 480 for old-crop shipment. Some people construed this as bullish, indicating scarcity, but if correct we would feel that since beans advanced very sharply due to heavy allocations of oil that any stoppage in that direction would have just the opposite market effect on July. A local CCC official announced that their Chicago office would resume offering soft red wheat and white wheat for export, the quantity involved was estimated at approximately 2 million bu, most of which is located at East Coast points.

The wheat market was strong during most of the session, although outside markets were firmer than we were, and there was a fairly good milling business reported in the Northwest. Spot corn sold 5 to 6¢ over, and the nearby delivery seemed to gain a little on September, with some sales made out of Chicago. With the big acreage of corn, and the rains that are being forecast rather generally, new-crop futures were a little hesitant. The carryover of feed grains into the 1956-57 crop year is expected to be about 10% larger than the record 39 million tons in 1955. This represents about one-third of a year's production.

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CHICAGO, 4 June 6, 1956

While there has been some strength in markets lately, we doubt whether this has been due to any Soil Bank considerations, and from our own experience no one has taken it very seriously, particularly as it would affect the program on 1956 crops. First of all, everything has been planted, and even Secretary Benson admitted that the program would be of limited size this season. Farmers who have already planted, and who have invested in seed, fertilizer, and gasoline, and who have a crop in prospect, are not inclined to participate. Thus 1956 will not be a fair trial because the legislation came so late, and in fact, the President himself recognized this when he announced higher price supports for 1956. To use his own language, he stated: "The failure to enact Soil Bank before planting time this year makes such administrative action imperative." Mr. Benson in a speech delivered at Beaver Dam earlier this week, said that the Soil Bank Program was not intended to empty warehouses so that they may be filled up again. He went on to say that it was not a panacea and not a cure-all. On the other hand, it was designed as a temporary emergency program to get agriculture back into balance, and to correct the oversupply which had been brought about by unsound programs of the past.

So in making calculations, we believe one is fairly safe in assuming that we are going to have the largest bean acreage in history and that the corn plantings will be about the same as last year, and considerably above earlier intentions. If this is the case, and we get a spell of good weather, as is likely based on the five-day forecast, we might have a bean crop in excess of 400 million bu, and a corn crop of 3,250 million bu, but even if we are correct in these surmises, one must also take into account the artificial influences, with a large part of our old corn tied up under the loan, and in addition to this the possibilities of heavy impoundings again during the coming season with a dual loan program for corn. Beans are never so much influenced by the loan, and although fairly large quantities have at times been impounded, it was not as permanent as many grains which have remained in government hands for years. The important feature with respect to beans is the export demand for the product itself, plus the demand for oils in the coming season. According to most experts this should continue due to shortages abroad, but at the same time it remains to be seen how urgent the buying will be if we come through with a bumper crop, and particularly during the first three months after the next harvest.

Weather was mostly clear overnight although Independence, Kansas, had 2 inches rain late yesterday. The map, however, is still unsettled and showers and thunderstorms are in prospect for most sections of the country, including the corn belt.

The movement of new wheat is increasing rapidly in the Southwest over a much wider territory, and grain is largely being sold, with country stations paying 2 to 4¢ above the net loan. Protein is running unusually high in those early districts.

Primary receipts of wheat were 937,000 bu against a holiday last, and a little over 1 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 400,000 bu.

Trade was rather dull compared with previous sessions, but wheat is beginning to feel the effects of a little hedging. There were 794 cars of new wheat at Enid, but they advised us that the majority of receipts were for storage. Corn was rather strong, particularly the July and September futures, and we believe there were quite a few hedges taken out of the pit against export business as they reported 3 cargoes of corn sold abroad. The strength in the nearby futures also had a little influence in firming new crop months. July beans were very strong again today, and the oil markets were higher, but new-crop bean futures felt the effects of satisfactory weather and good growing conditions. Some additional spring wheat flour was sold overnight, but the volume was not particularly heavy, nor did it cover needs for more than 30 days ahead. 5 cargoes of Canadian wheat were sold to Japan, but it was quiet domestically. Some nice rains were reported overnight in western Canada, but these were by no means general. Rye closed strong.

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CHICAGO, 4 June 7, 1956

This writer has conferred on several occasions with various advisors to agriculture, and these men on the whole seem to attach considerable importance to the Soil Bank, fully mindful that it came too late to do much good for the 1956 farm program, but they seem to believe that it holds great promise for 1957 and later years. Almost all agree that it is a temporary emergency designed to get agriculture back into balance. Whether right or not many of these experts feel that the demand for wheat is not sufficiently elastic that a sharp price drop would bring about greatly increased consumption or demand. For that reason they favor striking directly at the surplus problem by cutting production temporarily below the present acreage allotment minima, with payments to protect current farm income. They point out that since 1953 we have done about as much as was humanly possible in moving surpluses into consumption and that such stocks had a value of about $5 billion. Much of this inventory previously accumulated was sold for cash in the open market or under special government programs; some was bartered or exchanged; some was donated for relief use either at home or abroad, but they agree that in spite of this gigantic movement into consumptive channels, accumulations have, nevertheless, piled up, and they doubt whether even a sharp price drop could have done a more efficient job.

Our wheat carryover will probably reach a figure of 1,040 million at the end of this month. That would be a new record for all time and would compare with a little less than 300 million bu, which was the average reserve in the ten-year period, 1944-53. The story is somewhat similar for corn and cotton. The average carryover of corn in the ten-year period, 1944 to 1953, was 477 million bu, and last October it rose to over a billion bu, while at present we have a corn inventory of 728 million bu on hand, with 421 million bu additionally under loan, for a total of 1,149 million bu, with a value of some $2 billion. The cotton carryover is expected to be nearly 15 million bales this coming August, which is more than sufficient to meet all current market demands for a full year. Of this quantity about 13 million bales is under government domination, with a worth of some $2.3 billion. Thus it can be seen that agriculture does not face an easy decision under any circumstances. What is really of greater import is the fact that these accumulations have done so much to disrupt normal marketing machinery, as everyone knows we are not going to destroy these surpluses, but some day they must be moved, and thus compete again with current production.

There was some nice rain in the Northwest and moisture also occurred Southwest, with half an inch at one or two points in Kansas, and as much as 2 inches at Grand Island, Nebraska. The forecast is for some further precipitation in eastern Kansas, thereafter clearing.

Our wheat and flour exports, according to Broomhall, were nearly 7 million bu during the past week for a total of 289 1/2 million bu since July 1st vs. a little over 240 million bu a year ago. It was reported that France had purchased 12 cargoes of Pacific Coast white wheat, and that all of this will go out of government stocks, and was, therefore, not a market factor. We heard that downstate Illinois country shippers were offering corn in limited quantity but Chicago buyers had dropped their bids to about 4 1/2 over, but this was somewhat out ofline, and, consequently, not much business resulted. Italy has been negotiating on a large oil allocation, but the delivery date has been extended to end of November, and when our bean oil market opened this morning, prices were about unchanged from the day before.

Primary receipts of wheat amounted to nearly 1 million bu compared with about 1 1/2 million bu last week and 1 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 611,000 bu.

Markets were all on the quiet side today, and there was not much feature. Wheat was somewhat lower early, but there seemed to be a little support on setbacks, probably due to comparative firmness in outside markets. There were nearly 800 cars of wheat at Enid, and this is running high in protein and good in milling quality, but practically all of the wheat arrivals seem to be going into storage, and very little being sold. Thus, there is not much pressure on any of the futures markets. The government sold 500,000 bu #2 yellow corn to exporters, and we believe we saw evidence of some selling of September probably as a hedge. July beans continued nervous and were quite strong, even though the deferred months were weak at times and the latter were influenced by the fine weather over the belt and prospects for a big harvest. A final rally the last few minutes was due to the fact that Mr. Dulles urged Congress to sell or barter surplus commodities to Iron Curtain

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CHICAGO, 4

June 8, 1956

President Eisenhower had suffered a stomach upset during the night, and while apparently the symptoms had nothing to do with the heart, there was, nevertheless, a drop in the stock market before grains opened even though the ailment was claimed to be of a very minor character. Grain prices opened slightly lower but almost immediately rallied on reports of the President's health. There appears to be less chance now that the trade program which had been offered to the government for the handling of wheat through private sources will be accepted. We cannot, of course, be sure of this factor, but once a bureaucratic system is invoked with the huge personnel for handling and merchandising of grain, it seems that these rights are relinquished but slowly even though it is generally admitted that the private grain trade could probably do a better job in conducting export business with all the facilities in contacting such buyers, etc.

There had been some nice rain over part of the corn belt in Illinois, and there was also 2 1/4 inches rain reported at Anthony, also heavy rains around Wichita, Kansas, but the weather map appears to be clearing and fair skies are likely over the week-end with moderate temperatures. It has turned sunny in Oklahoma and combining seems to be making rapid progress, so that harvesting operations are broadening considerably. So far most of the wheat is of uniformly high protein and much above the average of recent years. Should the high protein also occur in Kansas wheat we can see the possibility that the Kansas City futures might not sell at such a big discount under Chicago as there would naturally be a stronger cash demand for high quality wheat; by the same token would also make more free wheat.

The Chicago CCC office announced that an additional offering of 500,000 bu yellow corn would be made for export, but this apparently had very little effect marketwise.

The new Soil Bank may unfortunately deviate far from the original scope of purpose. According to Washington advices, farmers may be paid to plow up damaged crops and thus U S D A will offer payments to those whose crops had failed because of drought, insects, and other hazards. It had not been the original plan to pay for accidental compliance, nor to offer bonuses to a farmer who retired acreage on which crops had been ruined. Apparently, at least according to one official, the Soil Bank will now be administered liberally, and it may be that in making such payments to farmers they will receive varying amounts of money commensurate with the extent of damage. It is thought likely that any liberalized interpretation might increase participation under the program.

Wheat exports from Argentina were about 2 1/2 million bu last week and since January 1st have totaled 45 1/2 million compared with 62 1/2 million last year. There have been moderate to heavy rains in that country, which should be beneficial for recently planted wheat and other grains, and should also improve the soil for planting in later districts.

Primary receipts of wheat were a little smaller, amounting to 804,000 bu which compared with 826,000 bu last week, and 1,362,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 828,000 bu. We look for a shrinkage in the visible supply next Monday when it is published against an increase last season of 479,000 bu.

Flour demand was quoted as being extremely poor, but wheat responded more to other matters, and the question of the President's health will remain an issue until more is known. At mid-session advices from Washington said that the Chief Executive was being taken to Walter Reed Hospital in an ambulance, for observation, but the Doctors insisted that there was no heart ailment. While the stock market was quite weak, grains advanced, and in the back of some traders' minds is the question as to what would happen in the event of Democratic victory next Fall. Some believe it might mean a return to rigid price supports. There are likely to be heavy receipts in the Southwest on Monday, but it is still a question as to how much pressure this will bring to the market. Spot corn sold at 4 1/2¢ over, and that cereal was also strong for the same reasons cited above. July beans, while higher, did not seem to have any unusual support, particularly as the oil market was lower most of the day. The deferred bean futures were strong, and there may have been some back-spreading. However, crop prospects are still excellent.

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CHICAGO, 4

June 11, 1956

Despite some changes that may be made in the administration of the Soil Bank, we rather assume that the program will get a modest start this year. While Mr. Benson has apparently made some concessions in permitting the plowing up of land, it seems quite doubtful whether this will be done on any large scale. Under present legislation, however, the program will continue for three more years and will extend through 1959. As differentiated from the acreage allotment programs of the past, a farmer who retires land may not put it into other crops. During the two-year period from 1953 to 1955 under acreage allotments, there were nearly 30 million acres diverted out of just two crops: namely, wheat and cotton, but many of these acres were used for the production of other crops. Thus the surplus problem was spread and apparently the administration felt that the impasse would become even worse unless some forceful steps were taken, and this is what led the President to recommend the Soil Bank to the Congress in his agricultural message last January. It remains to be seen in the years ahead whether it will provide at least a temporary cut in the production of crops, so that in turn surpluses may be reduced and in that way government stocks may find better demand.

The President's health, which had given the market considerable impetus on Friday, was hardly mentioned this morning except in optimistic terms as to his recovery. Stock market prices were higher and wheat opened lower, with routine news apparently coming to the foreground again and less emotional buying.

Weather was mostly clear and warm over most growing areas except for some showers in the Texas Panhandle. Thermometer readings were high as far north as Montana, and in our opinion the corn and bean belts could stand a good soaking rain. Therefore, it is rather encouraging to note that possible showers may fall Tuesday night and Wednesday, and some rains may also occur in our Northwest within the next few days.

A pronounced heat wave now covers most of the country and this will probably hasten maturity of the winter wheat crop. Receipts are running heavy at Enid, Oklahoma, and for the three-day period, there were 2,401 cars in that market, although we have not heard at this time how much was available for the free market.

According to Broomhall, general rains the latter part of last week had materially improved the moisture situation in Argentina. This should be especially beneficial for germination of the recently planted wheat. Most observers feel that acreage will show an increase compared with last year, farmers being influenced by a higher guaranteed price. In Australia conditions remain largely favorable for early development of wheat and for completion of planting in later districts. However, the acreage may not quite come up to that of last year.

There was another heavy decrease in Chicago wheat stocks of 538,000 bu during the week, which leaves only 3 million bu here. Local corn stocks decreased 608,000 bu, which had been more or less expected, but there are still 17 million bu corn here in town. The changes for oats and rye were nominal, but beans decreased 488,000 bu, and this reduces our stocks to 5.6 million bu.

Markets were not particularly active but wheat is beginning to feel the pressure from the Southwest movement, and we would say that about 20 to 25% is coming on the free market while the balance is either finding storage or is being held. In any case there seemed to be a little selling of futures by those who bought on Friday, and with the small flour business and nothing reported in exports, the market sagged. There was likewise no support in Minneapolis and small selling orders up there had a depressing influence.

Old-crop corn futures were somewhat weaker but the new crop held rather firmly and with the hot weather we are having traders would like to see some rain. The same is true of beans where the market was a little higher during most of the session, and the July future, which is in a category by itself, sold off after a show of early strength. Both of the Chicago soybean-processing plants are shut except that one is carrying on partial operations. We also heard of additional outside plants closing.

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CHICAGO, 4

June 12, 1956

After the close of the market yesterday, we had the June government report and they estimated the yield of winter wheat to be 670.3 million bu, which compared with 705.3 million bu last year and 872.6 million bu, the ten-year average crop. There was a drop of about 2% from last month's prospects chiefly because of some additional abandonment of acreage in the Central Great Plains states and in Montana. This reduction more than offset the higher yields in Texas and Oklahoma where harvesting was already under way by June 1st. Despite the poor crops in the Southwest, we find that Texas will harvest about 22.5 million bu, an increase of 9 million over the failure crop of 1955, and Oklahoma should reap 58.2 million bu compared with only 23.7 million last season. Kansas has a prospect of 141.2 million bu compared with 128.3 million a year ago. As an offset there will be less wheat raised in Nebraska and Missouri and in practically all of the red winter wheat states with the exception of Michigan. There has, however, been a nice increase in the Illinois prospects, and it now looks as though our State would raise nearly 46 million bu wheat, which is about 5 million greater than had been estimated a month earlier. The spring wheat crop was estimated at 252 million bu, and if a crop of this size materializes our total production will be about 923 million bu, which would be the smallest since 1943, and it would compare with last year's total production of 938 million bu. Despite these cuts we should have enough wheat to take care of domestic consumption and probable exports without cutting too much into our reserve stocks unless shipments abroad would increase considerably due to smaller crops in Europe.

As far as the rye crop is concerned, the government gave only a condition figure, and this was somewhat below average, partly due to the lateness of the crop, which may cut yields. However, with the additional moisture that fell recently in most of the areas, and the crop only in the heading stage, favorable conditions from now on would improve yields considerably. Furthermore, we do not know yet how much of the planted acreage will be harvested, and thus any specific production figures at this time would be more or less conjecture.

We are having higher-than-normal temperatures for early June, and with mostly clear skies there was some buying of new-crop futures of beans and corn this morning. The forecast suggests the possibility of rain in northern sections of the corn belt, and there may be some scattered showers in western Nebraska but no general rain is forthcoming. Nevertheless, crop prospects in the Northwest continue to be very good with a few exceptions where rainfall was inadequate. It is likewise dry over most sections of the Canadian Provinces, but weather is considered ideal in the Southwest for combining, and new wheat movement is heavy in Texas, Oklahoma, and Southern Kansas, although up to now hedging pressure has not been much of a factor. In fact, farm selling has fallen off sharply with much grain moving into storage and indications are that impoundings will be heavy. With mill buying rather conservative, premiums at Kansas City were forced down sharply yesterday.

Primary receipts of wheat were somewhat larger today and amounted to 1,807,000 bu. This was more than last year when the primary run was a little less than 1.3 million bu. Gradually we expect as the movement works farther north that receipts at terminals will increase. Kansas City and Minneapolis stocks so far this week show a total decrease of 267,000 bu.

Our wheat market was a little on the soft side. There was no great amount of pressure, but at this season of the year it is rather difficult to expect much of an advance unless there is a large export trade. Nobody can tell yet whether that business will come out of free stocks or whether the government will continue to dominate the situation. New-crop futures of corn and beans were somewhat higher. There was buying due to the unusually warm weather we are having and no general prospect for rain. However, July beans are being influenced by rather indifferent demand and we hear of some beans in the Northwest that processors are not particularly anxious to buy, and in fact, we should not be surprised if some of the beans found their way to this market. There was some narrowing of the spread between July and September corn. The free stocks of corn here in Chicago decreased 769,000 bu during the week and now total 10 3/4 million bu.

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CHICAGO, 4 June 13, 1956

The House Agriculture Committee yesterday voted to authorize the government to enter into barter agreements with Soviet satellite countries as a way of disposing of surplus commodities. The ban is still kept on sales of surplus farm items direct to Russia, North Korea, and Red China. While at the moment we do not feel that this will lead to any considerable increase in our export shipments, nevertheless, it has had a certain psychological effect on the market. However, the need of bartering has raised questions for other exporting nations, and according to Broomhall, Australia is now raising the whole question of "dumping or subsidizing" wheat as a form of trading which is apt to get out of hand and upset the whole traditional pattern of the international wheat market. Subsidies are not used only to ease a temporary situation, but to create artificial surpluses year after year. Countries such as France, Turkey, Sweden, and the U. S. are all using part of their national wealth to bolster an agriculture which would have but little chance in open competition, with Australia, Canada, and Argentina. According to the authority from whom we quote, the present situation is not healthy, and there does seem to be a need for some international understanding or convention on the use of subsidies for the export of wheat. However, it is rather ironic that Australia, which was one of the first of the countries to favor monopoly control of marketings is now seeking protection against the monopoly control of other countries. With each exporting country fashioning its production for political rather economic motives, Australia finds itself in a position of overproduction and inequality of remuneration and forms of trade discriminations, which were unknown in the so-called bad years of free trade.

According to reports from Manitoba the seeding of wheat is completed, with moisture conditions good. However, Saskatchewan reports that the topsoil is dry and rain is needed in south and west central areas, although prospects throughout other parts of the Province are good. A report from Winnipeg states that there was no overnight moisture except for the Peace River area, with crop damage reports becoming more numerous. It has been estimated by one Canadian authority that, as of June 4th, there was still 1.3% of the acreage to be planted in wheat, 9.8% in oats, and about 11% in barley. The wheat acreage is estimated at 19,369,000 acres, which would compare with 20,812,000 acres the previous crop-year. In this country unseasonably hot and dry weather persists for this time of year. However, in the hard winter wheat areas of the Southwest weather for maturing wheat and speeding harvesting is favorable, and combining of wheat is spreading northward very rapidly.

The Illinois weekly crop bulletin points out that crops are making rapid growth but widespread shortages of soil moisture are a continuing threat. Corn now averages about 9 inches in height; the planting of soybeans is nearing completion, with approximately 98% of the crop planted. Nearly all the wheat in Illinois has headed and wheat combining will begin soon in the southern districts.

The Kansas weekly crop report states that full-scale wheat harvesting operations are under way in southern counties. Early reports indicate yields generally are exceeding pre-harvest expectations. Recent ideal harvesting weather is maturing the crop rapidly with heads filling well in most areas, though shrivelled grain is reported in a few localities. Since this report was compiled rather high temperatures have prevailed through the winter wheat area, which may have caused further shrivelling. Advice from a line elevator concern in the Northwest, which operates elevators at North and South Dakota and Minnesota, mentions that their country managers have stated rain is badly needed throughout the territories with the exception of the Red River Valley. While the early morning prediction did not indicate any moisture and not much relief from high temperatures until about Friday, the noon forecast stated that thunderstorms are developing this afternoon and tonight over most of Wisconsin and Michigan, possibly extending as far South as the northern portions of Illinois and Indiana. Southerly winds are bringing in an increased flow of moisture northward from the gulf states. It looks as though we may have scattered thundershowers over most of the Mid-West territory, with the exception of the Northwest sometime Thursday.

Flour business remains quiet. Our markets all showed a very firm undertone and buying was rather general in all pits. There did not seem to be any great evidence of hedging pressure; so far the largest percentage of receipts of new wheat have gone, at least temporarily, into storage. This probably will continue to be the case until harvest is more general and some of the holes are filled.

Primary receipts of wheat today totaled 2,143,000 bu compared with 937,000 bu a week ago and 1,165,000 bu a year ago. So far this week Kansas City and Minneapolis wheat stocks have decreased 522,000 bus. UHLMANN GRAIN CO.

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CHICAGO, 4 June 14, 1956

There were a total of 8,739,000 persons at work on farms during the week of May 20th to 26th, according to government statistics, which was nearly a million more than a month earlier, but about 2% less than the same period of last year. This total number included 6 3/4 million farm operators and unpaid members of their families and about 2 million hired workers. This would compare with a total of the May average for the period 1951 to 1955 of 9,336,000 persons. It is rather interesting that the length of the work-day on farms has continued to decline. Farm operators reported that they were averaging 10.9 hours per day this year, while last year they reported 11.2 hours per day, and the hired hands averaged 9.3 hours as compared with 9.5 hours a year ago. This decline in hours worked per day was quite general throughout most of the states and points to increased efficiency of farm work.

According to Broomhall needed rains fell in a number of European areas the past week and warmer weather has stimulated development. Crops in the United Kingdom were benefited by the rains, especially those planted in the spring. Warm weather with adequate scattered rains have been sufficient for the time being in France. A smaller crop of wheat is predicted for that country, owing to winter wheat losses, only a small part of which was made up with spring plantings. Germany has had beneficial rains and prospects in Italy for wheat are reported as very good, although probably below last year's very large upturn. The unofficial estimate for that country is 317 to 336 million bu vs the record crop of 345 million bu in 1955. There are a very few complaints received from Spain. Heavy rains brought field work in some areas of Australia to a halt, and it is anticipated that the wheat acreage will be lower and diverted to other crops.

In this country the heat wave has continued over most sections east of the Mississippi River and continued warmth is predicted for the next twenty-four hours in the Southwest. The dry weather through the winter wheat area has permitted combining to move northward with surprising rapidity and it has reached into the northern tier of Kansas counties, although hardly active yet in the central areas. So far Southwest receipts have been running high in test quality and also high in protein. Ordinary wheat in Kansas City is quoted nominally at 5 to 8 under the loan, but very little of that class of wheat has been received. The higher protein grades are still commanding premiums. Many well posted grain men are still figuring that the outturn in Kansas can run from 140 to 150 million bu. Some reporting for Nebraska think there have been crop losses and that the government estimate of 65 million bu will finally prove too high.

According to Canadian advices, hot, windy weather is depleting moisture supplies over wide areas of Saskatchewan and Alberta, and rain is urgently needed over the Prairie Provinces with the exception of Manitoba, some northerly parts of Saskatchewan, and the Peace River areas. The crop in Saskatchewan has made reasonable progress but topsoil is very dry and relief is needed to prevent serious deterioration.

Primary receipts of wheat totaled 2,226,000 bu vs. 996,000 bu a week ago and 1,140,000 bu the comparable day of last year. So far this week Kansas City and Minneapolis stocks of wheat show a net decrease of 540,000 bu.

Flour sales continue small. The only export sales of wheat we heard of today were 73,000 tons sold to Formosa from the Pacific Coast.

Wheat was firm through most of the session. There was buying on part of locals and others. So far there is no real pressure being felt from hedging sales.

The mid-day forecast was a little bit more optimistic for occasional rains tonight and Friday through Illinois and Indiana, with much cooler temperatures. Also, some possibility of scattered thundershowers in Iowa.

Beans were very two sided. Bean oil prices dragged through most of the session but there is a much stronger feeling with reference to the meal. Some cash beans in the Northwest and elsewhere apparently are not finding a ready market While the freight to Chicago from some locations would be rather heavy, nevertheless, at the present differential it is practically impossible to go over to September with hedges. According to advices received from central Illinois, a very well posted source states the heat wave has not hurt oats so far and all grains look to be in excellent shape and doing well. Oats and wheat have very good heads.

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CHICAGO, 4

June 15, 1956

Weather at filling time plays a very important part as to the final outturn of wheat. So far ideal weather, hot and dry, has speeded the combining of new wheat. The wheat shipped to market up to the present time has been high in quality, both test weight and protein. Should the dry spell continue for any protracted period more will be heard of shrivelled berries, which in turn reduces the yield per acre. We hear some complaints of this nature from the northern tier of Kansas and some parts of Nebraska. The government in their June report estimated winter wheat at 670.3 million bu and spring wheat at 252 million bu, or a total crop of 922 million bu. We use about 600 million bu for domestic consumption. This figure varies somewhat with the amount of wheat fed, and the Soil Bank may account for some saving in seed. It is estimated that our exports from the last crop will total about 325 million bu, or a disappearance of 925 million bu. With the poorer prospects in France, we may be able to step up our exports to some extent, but should there be no change in the final wheat crop, we would raise just about enough to take care of domestic and export requirements equal to this year. Should crop prospects deteriorate or should exports be stepped up, we may finally be able to cut into our carry-over at the end of the crop-year, which will close June 30, 1957. This, of course, is a matter of conjecture.

Winnipeg wires us this morning that there were some good rains overnight in southern Alberta and some light moisture in southwest Saskatchewan. There were also some showers in scattered areas of our own Northwest but elsewhere they were extremely light. The present map is rather favorable for week-end showers over the northern part of the corn belt, which, of course, would be very helpful.

According to The Quaker Oats Co.'s weekly crop summary, the hot weather is causing corn to grow rapidly in all areas where moisture is ample, with some corn knee-high in central Illinois and in north central Iowa. They comment that for the most part corn throughout the Mid-West looks exceptionally good, although there are reports of some corn curling in northern Illinois, western Iowa, and eastern Nebraska. Should we go much longer without moisture, this situation will naturally become more acute. Corn is suffering in many of the southern states, particularly from Louisiana eastward. The same source also reports that soybeans look wonderful throughout the entire Mid-West, with growing during the last week rapid, and with the crop generally further advanced than normal. While soybeans can stand more drought and heat than corn, they, too, will soon need additional moisture. Speaking for our Northwest, one elevator interest reports that crop prospects continue good to very good, except in those areas of light rainfall. Spring planting is now completed for all crops and early grain is starting to shoot in most areas.

Primary receipts of wheat today totaled 2,745,000 bu vs. 804,000 bu a week ago, and 1,369,000 bu the comparable day of last year. So far this week Kansas City and Minneapolis stocks of wheat show a net decrease of 847,000 bu. When the visible is posted on Monday, it will be compared with a decrease in wheat last year of 1,758,000 bu.

Flour business still remains stagnant and there was not too much activity in the wheat pit this morning. There still is no evidence of large hedging sales. We did hear some talk of export business but have not received any confirmation. If any has taken place, it is undoubtedly from CCC stocks.

July beans were subjected to liquidation during most of the session, and at one time sold down the limit for the day. There is some feeling that further additional beans may be worked to this market. The differential between July and September has narrowed perceptibly, and the two months will likely continue to come closer together.

The noon-day forecast was fairly favorable for some moisture through the Northwest states, which may extend into Iowa and the northern sections of Illinois and Indiana. Winnipeg wires that a storm center is bringing general rains through a large area of Alberta.

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CHICAGO MERCANTILE EX.

CHICAGO, 4

June 18, 1956

There was a good deal of moisture over the week-end, and they had some nice rains in Canada although all sections of that country were not benefited, which was the same on this side of the International Border. The State of Iowa received very little rain although the map is still unsettled, and it looks as though some precipitation would hit the dry areas of that State. Nebraska received a soaking and Illinois had some good rains. There has been great improvement in the corn and bean belts where the moisture arrived in time, and according to the Baldwin Elevator Report, corn is really making rapid growth. A good deal of it seems to be more than a foot high, with earliest plantings being better than knee-high; thus the crop is off to a better than average start in Illinois. In some areas soybeans are being planted in fields where corn was drowned out and early planted beans have now made sufficient growth to shade the ground.

There is naturally a good deal of interest in beans owing to the fact that this is one market which is free, and even though there have been fair impoundings over a period of years, in so many cases the price has gone above the loan level that the loan beans have come back on the market, and there is not the constant guessing because of artificial factors. July beans had been extremely weak on Friday, and apparently when the price went above $3.00, processors curtailed their buying, and we had reports on several occasions that certain plants were closed in order to reduce grind. This situation stems from the fact that processing margins did not justify operations, and also there were undoubtedly a good many users of the product who apparently were influenced by cheaper prices for new-crop positions; therefore, they were willing to cut down on current wants in order to take advantage of cheaper buying opportunities later in the season. It was not surprising, therefore, that July beans broke shortly after the opening. There has been a long interest built up and the market found rather poor support until after there had been a break of about 7¢ a bu. On the break a Northwest broker stepped into the market, and fluctuations are becoming quite erratic, and we are afraid that this may continue to be the case for some time to come.

There had also been some rains in the Southwest and our advices were to the effect that not too much harvesting had been done over the week-end, although receipts in a number of places were still quite good, but for the time being at least pressure is not too important. Wherever possible farmers seem to be accepting storage so that impoundings are likely to be very heavy again.

It might be interesting to note that the Terminal Elevator Grain Merchants Association claims that the total rated capacity of all its member elevators as of 1945 was 385.7 million bu; on March 15, 1956 this had risen to 660.8 million bu, which shows a 71% increase in storage capacity over a period of eleven years. This, of course, does not take into account other private storage by non-members, nor does it include country storage, and by far the biggest item is the government tank storage, which was practically an unknown factor in 1945, but at the present time the government has capacity for taking care of about a billion bushels grain, including ships of the Maritime Commission that are anchored in various rivers and harbors.

One of our friends in Winnipeg wired that on Friday 190,000 bu Canadian rye had been shipped from Fort William to South Chicago, and this is the first movement of that kind we have heard of in some time.

The visible supply was a little late in being published, but Chicago stocks showed a heavy decrease of 875,000 bu, which leaves only a little over 2 million bu here. Corn also decreased quite heavily but in spite of a reduction of 463,000 bu in the local stocks, we still have 16.6 million bu in Chicago. Beans increased during the week to a total of 5.7 million bu.

Trade was not particularly heavy but there was a sharp break in July soybeans. At one time they sold down the full permissible limit of 10¢ per bu. The deferred months were lower but held relatively steady. Corn was somewhat lower, probably influenced by the weakness of other feed grains, and by recent rains and promising reports from growing areas. The Chicago corn-hog ratio this week is 10.9, a week ago it was 11.1, while a year ago it was 13.8.

Lard showed decided weakness as bean oil sold off and lower hog prices also were a factor.

Flour sales over the week-end were extremely light but on the other hand there is not too much pressure on the wheat market, although some hedging is noticeable.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

June 19, 1956

It looks as though the drastic cut which the House had voted on the Foreign Aid Program would be largely adjusted to meet President Eisenhower's ideas for a workable solution of problems. In our opinion there are two matters that have to be settled: First, how much we can afford, and secondly, how efficiently any program will be administered. As we look back we sometimes wonder whether all the monetary help given to Tito brought the cordial relations which had been intended, and we begin to wonder whether the grants to Peron, plus credits respectively of $ 125 million and $60 million, accomplished their aim, and whether this really brought us the respect and friendship of the honest and patriotic Argentines. We induced Afghanistan to accept a $40 million loan from the Export-Import Bank, and to spend a very considerable sum themselves to put in a hydro-electric power, flood control and irrigation project for about 500,000 acres. However, they had neither engineers to operate the project, nor agricultural experts to teach the nomads how to farm.. Finally the salt content of the lands was raised by the water from the dam to the point of ruination. Thus it requires skill, education, and a complete understanding of the foreign elements whom we are trying to help and benefit, and this question will arise again as we propose to help finance the huge $ 1.3 billion Aswam High Dam project in Egypt.

Before our market opened this morning we had reports of very nice rains over parts of Canada and our Northwest. They probably did not cover all areas but certainly were sufficient to bring about material relief. There were a few rains in Illinois, but not too much additional moisture was reported in southern and central sections of the state. Some rain had fallen along the Illinois-Iowa border but the large sections of Iowa are still unrelieved, although the forecast is reasonably optimistic for scattered showers tonight or tomorrow. Our wheat market opened very firm and prices rose on local buying and the renewed prospect that exports during the coming season might come from private stocks rather than from government accumulations. Corn prices were also very firm, and there was an improved sentiment all around, which finally filtered over to the bean pit, even though the July future had early made a new low on the present movement, and apparently there was some last-minute liquidation by tired longs. Yesterday afternoon there was a report that Japan might get some of its beans from Manchuria and this may also have had some market influence.

The Peavey crop report which was wired us from Minneapolis was not entirely optimistic with respect to spring wheat. It seems that high temperatures and strong winds resulted in substantial injury to the grain crop in central South Dakota and western North Dakota. The Huron area in particular had high temperatures and no rain. Elsewhere, however, grain prospects are reported as good to very good, despite a late season. According to the same authority corn in that area has done very well recently. We heard this morning that barge shipments to New Orleans were to be embargoed by midnight of June 20th. There are 66 barges in port and 13 enroute.

Primary receipts of wheat were heavier and amounted to over 2 million bu compared with 1.8 million bu last week and 1.4 million bu last year.

It will take another few days before harvesting operations can be resumed in parts of the Southwest. The moisture down there was quite general through Kansas, Missouri, and Nebraska, and in fact, nearly the entire southwestern section with the exception of southeast Kansas had a good soaking. Wheat had a sharp upturn today and we cannot trace any news that will give us a definite clue as to what the Department of Agriculture will do in trying to accommodate the views of the grain trade for handling exports. There seems to be growing belief, however, that they may act favorably. This had quite a little influence on our market, with considerable buying all during the session. Corn pricesdid not hold, and there was a decrease of 741,000 bu in the free corn stocks, but this still leaves 10 million bu here. We hear that CCC will again offer for unrestricted sale on the Chicago market all numerical grades of corn that are of unstorable quality. This is usually for #4 and 5 grades, and while previously such corn had been offered in the open market.

The deferred soybean deliveries were quite firm and at one time July beans showed a good recovery but it was rather difficult to have sustained strength as there was no general buying and there seems to be some liquidation trickling into the market by disappointed longs.

Trading in May wheat will be authorized to start next Monday.

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CHICAGO, 4

June 20, 1956

For the past number of years, the loan on wheat has not been entirely effective for the reason that almost all of the exports were handled out of government supplies. Therefore, the current crop had to be just sufficient to take care of our domestic needs, which at present are estimated at about 625 million bu. This includes feed, seed, etc., and also small amounts for alcohol, plus, of course, the 500 million bu which is the approximate figure for grinding of flour for home use and a small amount of flour needed for military purposes. Thus if we assume that this year's crop will total about 925 million bu, and the same system prevailed, we could have about 300 million bu wheat go into the loan and just come out about even at the end of the season. On the other hand, if there is a change in government philosophy, and if they permit the export business to revert to private hands, the situation would be entirely different. We would probably have to figure on a minimum of 300 million bu for exports that would be taken out of this year's production, and this might materially strengthen the over-all situation, so that the market would undoubtedly have to advance to a point where either the impoundings from the 1956 crop would come back into circulation or else the government itself would have to furnish wheat from their accumulated supplies. On basis of the present formula they can only sell domestically at the loan level plus 5%, and then must add reasonable carrying charges besides. Consequently, it makes a very great difference to the trade whether the old system is continued of exporting wheat from government stocks, or whether the trade proposal should be adopted.

The carryover feeling from yesterday was again bullish on the assumption that government officials might see the advisability of accepting the suggestion of grain merchants, and our opening price level was somewhat higher. It was helped also by a much stronger market in soybeans, and one commission house was a very heavy buyer of the July future, while the selling came mostly from locals. The oil market strengthened late yesterday on prospects of better business abroad, and there was further evidence of buying in the oil market this morning, all of which created a generally more satisfactory situation.

Coming back to wheat for a moment, they had some further rains in the Southwest, which will delay harvesting operations, but as a partial offset there was some fine moisture in South Dakota and Minnesota, where there were dry spots, and these should be very materially relieved. Rains in Canada were rather spotty and not heavy anywhere. In Europe, Broomhall tells of largely favorable conditions, despite the fact that some sections are still backward. For the most part, however, crops have a healthy appearance, and recent rains were beneficial. It is interesting to note that there has been sufficient improvement for the wheat prospects in France so that they may still have sufficient supplies to take care of home requirements. In the meantime, France has already contracted for large quantities from abroad, and is expected to be in the market again next week. In Italy there may be a small reduction from last year's record crop, although some people still believe that it will be exceeded. In any event the carryover may reach or exceed 75 million bu, and for that country it should be noted that while they also had unusually cold weather during the winter, there was good snow protection, which was lacking in France. In Western Germany crop conditions are mostly favorable, although some complaints of weeds. Broomhall also speaks of an indicated reduction in Australian wheat plantings, although barley and oat acreage is expected to be larger. Heavy rains in that country have greatly delayed field work.

Primary receipts of wheat were 1.7 million bu, which was about the same as last year but less than last week. Kansas City and Minneapolis stocks show a net decrease of 117,000 bu.

Trade was not heavy but there was some selling of wheat futures and nobody can be 100% sure as to how the export program will be resolved. Some of yesterday's buyers turned sellers this morning. Corn was somewhat lower and there was talk in the East that the Chicago CCC office had sold 70,000 bu #2 yellow corn in Ohio at a half under July basis. Here locally the spot corn market was 5 over.

There was not much new in the various state reports but most of them spoke of satisfactory growth for corn, and in Kansas the wheat harvest is generally from 1 to 3 weeks earlier than usual.

The oil market did not hold its full gain, and this brought some selling into July beans, although the market closed considerably higher than last night. There was some realizing in the deferred months and from all we can hear the crop outlook remains exceptionally good.

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CHICAGO, 4

June 21, 1956

In a report just made public by USDA we find that total U. S. farm exports in 1955 amounted to $3,195 million, which compared with $3,046 million in 1954. Great efforts have been made during the past twelve months to sell abroad on basis of foreign currencies, and in fact, the scope of these operations is even being extended. Yesterday, the Senate Agriculture Committee adopted a resolution doubling the $1.5 billion program for selling surplus farm commodities abroad on basis of foreign currencies. It is still hoped that in that way our accumulated reserve can be reduced. It is rather interesting to note that first among the takers of our agricultural products was Japan, and business to that country last year amounted to $386 million. This was somewhat larger than trade with the U. K., which amounted to nearly $377 million. Canada was our third best customer, having bought $282.3 million worth of products from here. In her case we shipped mostly fruits, nuts, and vegetables. Our fourth best customer was the Netherlands, and they made purchases here of $242.7 million with Western Germany coming in fifth place, taking about $242 million worth of our goods, but apparently Germany is becoming pretty well rehabilitated and our shipments to that country were the second lowest in the past six years. As far as Japan is concerned her chief requirements were cotton, grains, fats, oils, and oilseeds, while the chief business to the U. K. was tobacco. Apparently the latter country is favoring Australia and Canada, her own colonies, in the business of taking wheat and feed grains.

Weather is still unsettled over most parts of the country. Amounts of moisture expected vary, but some thunderstorms are still looked for over the corn belt, including Iowa and altogether there has been considerable improvement. In Canada they have not had any general rains, and the crops have probably deteriorated up there, despite some rains that have occurred since last Friday. They started with a deficiency in subsoil moisture and dry, windy weather in places continued to reduce the soil moisture reserve of most of Alberta. Hot weather over Saskatchewan during the past two weeks has emphasized the need for continued rains in order to prevent deterioration. Manitoba, which is the smallest producing province, is probably the best situated for crop development, as moderate rainfall fell over most of the districts, and in spite of high temperatures rapid headway was reported and favorable conditions prevail. We had some fairly nice rains in our Northwest and June weather is most important for the best development of the crop in the spring wheat areas.

The most important feature is the Washington debate as to whether or not export business should be returned to private hands. The Terminal Elevator Grain Merchants Association reaffirmed its stand in favor of the National Grain Trade Council's proposals for a halt on Commodity Credit Corp. sales of grain for export, and as far as we can see most organizations in this country favor a return of this business to free enterprise, feeling that it is the most effective way of selling, and likewise it would be more beneficial to the market in that there would not be the continued competition from wheat that is presently under government control. Such a move would not only reduce the amount that might be impounded this coming season, but would also offer farmers a higher price for the 500 million bu wheat which is domestically consumed.

Primary receipts of wheat were quite heavy and amounted to 2.7 million bu. This compared with 2.2 million bu last week and 2.4 million bu last year. In these calculations the Peoria receipts were for two days. Kansas City and Minneapolis stocks so far this week show a net decrease of 177,000 bu.

Shortly after the opening, we learned that, effective this morning, CCC had gone back to its previous sales policy of only offering #4 and 5 corn for export, and that it would no longer be sold domestically. This gave us a higher market for corn for both old and new-crop months. The pig report was issued and showed a reduction of 8% from 1955. However, the report was almost as expected, as the government had forecast a 7% decrease last March. CCC sold about 500,000 bu corn to exporters at both Baltimore and gulf ports.

July beans were rather neglected for a time, but finally weakened as selling pressure came into the pit. We feel pretty sure that yesterday's heavy buying must have been short-covering as the open interest went down more than 2 million bu.

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CHICAGO, 4 June 22, 1956

It was not so long ago that half the people in this country lived on farms, and before we had modern techniques it was necessary for this large percentage of persons to produce the food and fiber needed for our population. Today, farm people make up only 13% of the total population, and they continue to supply not only sufficient quantities of food products to take care of all of our people, but yet we are building up big surpluses. Besides this these farm people are supplying much of the national leadership. We do not regard it as a curse that fewer people are farming but rather we look upon the steady population flow from the rural areas to our cities as providing the vigor, the new blood required for our greatly expanding economy. As Mr. Benson pointed out in a talk today at Eldora, Iowa: "The upturn in the general level of farm prices during recent months flatly contradicts the gloomy forecasts of some politicians who have been saying American agriculture is about to collapse. Since January 1st farm prices, as an average, have increased by about 9%." He also boasted that the parity ratio, which measures prices received by farmers against those they pay for goods and services, moved from 80 in January to 85 in May.

A significant part of the general improvement in farm prices has come in hogs and beef cattle. These two items account for approximately 30% of farmers' total cash receipts nationally. This is more than all the so-called basic commodities. In the great state of Iowa, hogs and cattle bring in two-thirds of Iowa's farm income, which is about five times as much as is received from the basics. Moreover, the products just referred to are sold in the free market without any direct price supports. Farmers recently have been greatly encouraged because of the sharp upward trend in hog prices. In recent weeks top quality hogs have been bringing $17 to $18 in the principal markets, and yesterday's report forecasting a reduction in the pig population would indicate that good prices may be expected when our spring crop moves to market. Beef cattle prices have strengthened about 10% since the beginning of the year. Thus it is apparent that the agricultural outlook has improved, particularly since corn prices have moved upward from $1.16 to $1.39 during the past five months, and soybean prices have climbed from $2.19 per bu to around $3.

Before our market opened there had been reports of heavy rains in parts of Illinois but not much in Iowa, although the forecast is still good, and as a matter of fact, quite a little rain is expected over the corn belt, particularly east of the Mississippi. There was moisture Southwest also, and we had some reports of good rains in the spring wheat areas, and besides there were some unexpected but heavy rains in Saskatchewan, and these were apparently quite general and should be extremely beneficial.

There was a report that Japan had bought 10,000 tons soybeans for July shipment and we also heard that Spain had been authorized by the Department of Agriculture to purchase up to $10 million worth of cottonseed oil and soybean oil, July 1st through November 30th. Delivery was not to be later than end of this year and payment is to be in Spanish currency. It was reported that two of the processing firms here in Chicago would reopen their facilities but it was also learned that another large industry not located here was closing down for a period of three weeks, and apparently none of these items had too much effect upon the market. There did seem, however, to be some further short-covering of July hedges against the sale of beans to Japan.

Primary receipts of wheat amounted to 2,345,000 bu, which compared with 2,745,000 bu last week and a little over 2 1/2 million bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 159,000 bu. When the visible supply is posted on Monday it will compare with last year's increase of 734,000 bu.

Markets were rather mixed today. July beans for a long period showed no great activity, despite the fact that there was a good deal of buying both hedge-covering and also speculative purchases. Later, however, when shorts tried to cover, there were moderate advances and the close was strong. Pronounced quiet is reported in flour circles by The Southwestern Miller; so there is no particular encouragement from that source. Actually there were some hedges placed today and wheat prices were barely steady; July was weak.

Corn did very little but there are some places in Illinois where the rains have been very heavy and a few areas had cloudbursts which caused flooding.

We also heard that CCC has sold some oats at very low prices but even this had very little effect here or on Winnipeg.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 June 25, 1956

Large quantities of wheat were exported during May and the first half of June, and according to the Agricultural Outlook Digest, it now appears likely that total clearances for the season will amount to 330 million bu. If this promise finds fulfillment, it would be 55 million bu larger than last season, and these would be the heaviest exports since 1951-52. On basis of domestic disappearance, which is estimated at 610 million bu, the carryover on July 1st is now expected to be no larger than 1,030 million bu, or about the same as the season earlier. This, of course, is a huge carryover, and would be about the largest we have ever had, but still with a crop of only 923 million bu estimated for 1956, the situation appears to be a little brighter particularly as we look ahead to the 1957 season when unquestionably the Soil Bank provisions will cut acreage and give us a smaller production figure for the next crop. Thus there is at least a chance that we are beginning to cut somewhat into these heavy reserves which have been with us for many years.

Meanwhile, crops in Europe have been making mostly favorable progress during recent weeks, and while there was some early damage due to the severe winter, there are, nevertheless, some improvements noted by Broomhall, and he now figures that if present conditions are maintained in France, they may have almost enough wheat to take care of home needs. In Italy a good surplus is now indicated, barring late season reverses. Altogether it looks as though the Continent will have a bigger outturn than was indicated previously. Broomhall also states that seeding of wheat has made mostly satisfactory progress in Argentina, and that favorable conditions prevailed over most of the early-planted areas. Moisture supplies are adequate for the time being, and the crop is expected to get off to a fairly good start on an acreage which promises to be larger than last year. In Australia, however, while planting is well advanced, the acreage is smaller due to widespread torrential rains, which caused extended delays in planting, and thus many farmers diverted their wheat fields to other crops. It was hoped that the corn crop in Argentina would show a substantial increase, but apparently this is not being borne out by the latest official figure.

Here at home, we had a good deal of rain over the week-end in central and southern sections of Illinois, also other parts of the corn belt, although probably less in Iowa than in other districts. The Baldwin Elevator Report is quite optimistic, and last week's weather was favorable for getting fields cultivated, so that with the additional moisture the corn crop is off to an excellent start. Soybeans are also showing results of ideal growing weather. The beans have a wonderful color and uniform stands are noted.

In Canada there was further moisture in the west, but the reports do not indicate any general relief for those sections of western Saskatchewan where a dry situation continues. Alberta on the other hand fared well and considerable improvement is claimed for that province.

There was another large decrease in Chicago stocks of wheat, which reduced the holdings here to 1.6 million bu. This apparently had very little influence on the spread between July and September wheat, and there is still a fairly good carrying charge, but apparently traders are figuring that before long we shall receive new wheat, and as a matter of fact, we know of 7 cars that arrived here today, 5 of which graded #1 red and averaged 12.5 moisture. Receipts in the Kansas City market were quite heavy, with 2,312 cars there, but there was really no pressure, and in fact, right after the opening that market went up, which caused a little sympathetic buying here. We were told that there was a good demand on part of mills and though they bought the cash wheat there were not many hedges placed. It may be that they are figuring that sometime later a better flour business will develop, and the mills may be willing to carry their wheat temporarily unhedged. Actually the status in the flour business showed no change and buyers generally were waiting, and even the baking interests seemed to be in a hesitant mood.

We had considerable strength in the new-crop corn futures, also in new-crop futures of beans in spite of the weather. This may have been due to the fact that there is very little pressure yet, although most people admit that a bean crop of 400 million bu is possible, and they also concede a good corn crop. The Chicago corn-hog ratio this past week was 10.5 compared with 10.10 last week and 13.9 a year ago.

July beans were intermittently weak and strong, and it was very largely a local affair, without much guidance as both meal and oil were quite indifferent.

UHLMANN GRAIN CO.

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CHICAGO MERCANTILE EX.

CHICAGO, 4

June 26, 1956

The farmers of America have not shared adequately in the nation's prosperity, but at the same time there are some favorable issues that may be pointed out in connection with their well being. First of all, the total value of all farm assets is now $ 168 billion, which is almost equal to the all-time record level of $ 170 billion. Moreover, despite some recessions in price levels farm land values have moved upward to a record level in 1955, and real estate assets are at a record peak of $ 97 billion. This in itself is indicative that producers have a basic confidence in the future of their business. It should also be noted that nearly three-fourths of the nation's farmers own their farms today, which is likewise a record high. The total debt of farmers amounts to only 11% of their assets, which is also an extremely good showing, particularly when it is considered that about 7 out of 10 farmers have no mortgage debt whatsoever. Furthermore, of the mortgaged farms, four-fifths are mortgaged less than 50% of the market value and half for less than 30%. We admit that growth in population alone does not offer immediate hope for the expansion of markets for farm products, but yet the Census Bureau figures that our population by 1960 will reach a figure of 190 million persons. Meanwhile, the government is trying to find broader markets for farm commodities, and as we mentioned yesterday, this has been accomplished to some extent with the likelihood that our wheat exports during the current season will approach a figure of 330 million bu. For the first ten months of this fiscal year, our export shipments have been 6% more in value and 9% larger in quantity as compared with a year ago.

Some of our offices in downstate Illinois wired us this morning that some farmers were clipping oats to comply with CCC requirements of Soil Bank. It is claimed that if they can receive payments it would give them a return of $54 per acre, and that they would have to raise 100 bu to get the same amount of money through their productive efforts. A number of meetings have taken place, and farmers are lined up at the Farm Bureau Offices trying to make proper arrangements to get these benefits.

There was some moisture in Nebraska, Iowa and parts of Oklahoma and a few places had very hard rain. The map is still unsettled for the Southwest, and in fact, it looks as though the corn belt areas would also get some more showers tonight and Wednesday, with temperatures warmer this afternoon and tonight in northern sections. There are scattered showers predicted for the Northwest as well, with rather warm temperatures tonight and tomorrow. There were some scattered rains in Canada and the Saskatchewan Wheat Pool report shows an improvement in the condition as compared with last week, although the present outlook is still well below last year. This applies particularly to flax. According to the Peavey crop report the general outlook in our northwest has improved somewhat during the past week, although the drought increased in severity in the central part of South Dakota and also in the southwestern sections of that State. In those areas some acreage has been plowed down or cut for hay. Otherwise conditions in that State are generally good, although there are some isolated dry spots.

Primary receipts of wheat amounted to 2.9 million bu, which compared with a little more than 2 million bu last week and slightly over 2 1/2 million bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 199,000 bu.

Our wheat market was rather weak early in the session but later firmed in sympathy with the strong market in Kansas City. They told us from there that hedging pressure was light, that there was better commission-house demand, and also some buying by locals, with offerings very light. That market gained on us considerably.

Corn was inclined to be weak and, of course, the weather is extremely favorable, particularly since some additional moisture is now looked for in Iowa. We had reports that indicated the withdrawal of Argentina from the export market on forward position sales.

Beans were weak and there is the threat that some beans east of here may come to Chicago. In general there was liquidation and some small stop-loss selling, which was discouraging to longs. Growing conditions are excellent. The oil market was lower and lard declined sharply, with many new lows registered.

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CHICAGO, 4 June 27, 1956

Like most things in this world, people's eating habits are never static. They keep changing slowly, sometimes almost imperceptibly. Hungry people will eat what they can get, but when they have money in their pockets and have a choice of different types of food, the so-called traditional eating habits undergo a change. As world standards of living rise people everywhere will want more and better foods. In the U. S., where general prosperity is ruling, Americans are eating nearly as much in terms of calories as they were fifty years ago, but the per capita consumption of grain products and potatoes has dropped about 40%. As an offset the per capita consumption of so-called "protective foods" has increased, - eggs by over 40%, green vegetables 60%, citrus fruits and tomatoes 80%, and meat, poultry, and fish by 2%. In the more backward countries changes are taking place. The Ceylon dock worker, who used to carry a bowl of rice for his midday meal, is now likely to have a couple of pieces of bread in his pocket, and bread instead of rice may be in the lunch pail of to day's Japanese student. Dehydrated milk is also nourishing people in many global areas where it had never appeared before. The change in eating habits is a matter of importance to the U. S. as we push expansion of exports of our farm products. According to the USDA foreign consumers know what they want, and everyone gains from higher exports of U. S. farm products.

Broomhall's Foreign Crop Summary states that temperatures have been below normal over wide areas of Europe. There has been a slow development of crops which are still rather backward, although moisture supplies seem to be adequate. Crops in the U. K. are somewhat retarded by cool weather, while conditions in France are mostly satisfactory. Further beneficial rains occurred in Spain, but all-in-all, the Continent needs warmer weather. Torrential rains in the eastern sections of Australia caused widespread flooding, with some probable acreage loss.

According to the Illinois weekly crop bulletin, most areas of the State were benefited by frequent showers during the past week, with nearly all crops showing a marked improvement, with corn and soybeans taking the lead. The condition report for both of these crops is above last year. The Iowa bulletin states that corn and soybean crops have developed unevenly but quite favorably over the State during the past week. Spotted rains are showing spotted development. For the week ending Monday, June 25th, about 30% of the corn acreage had been laid by, which is the same as a year ago, and ahead of the 1946-53 nine-year average of about 15%. They do mention that unusually favorable moisture conditions will have to prevail for continuation of this rapid growth.

Primary receipts of wheat today totaled 3,257,000 bu vs 1,771,000 bu last week and 2,668,000 bu on the comparable day of last year. So far this week Minneapolis and Kansas City wheat stocks show a net increase of 481,000 bu.

Flour business is still quiet. While the country sold some wheat overnight for Chicago, we did not hear of any large amounts, although during the day there was some evidence of hedging pressure. Probably the main factor in the wheat market today was a report of The Northwestern Miller stating that most reliable congressional Republican sources say the proposals for either a cash or a subsidy in kind could be considered dead. There had been considerable buying the past few weeks on the possible acceptance of the trade proposal for handling exports, but this particular report helped to take the gimp out of the market. Mills in the Southwest seem to be aggressive buyers of cash wheat.

Norway is in the market for a cargo of two hard and Pakistan will buy 30,000 tons gulf wheat overnight, while Germany is expected to come in the market shortly for 100,000 tons. It was reported that France bought 6 million bu two red and white wheat, but we understand from export circles that CCC sold approximately 5 million bu. Therefore, the export business is having very little effect on the market.

While reports from the corn and bean territory remain favorable, corn showed more or less independent strength in view of the weakness in other grains. Understand that there has been some Chicago elevator corn sold to industries. Further liquidation took place in beans and rather erratic gyrations occurred, although on the extreme break fairly good support was found.

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CHICAGO, 4 June 28, 1956

For many months there have been repeated references to the fact that the net income of the American farmer has continually declined from the all-time peak record of $ 17.2 billion in 1947, excepting, of course, those years of the Korean emergency in the early 1950's. It is encouraging to note now that for 1956 agricultural economists think farm income will rise about 1%--$ 100 million over last year's total of $ 10.8 billion, which was the lowest since 1943. For 1957, with the new government programs fully operative, a further gain of 6% to $ 11.6 billion is looked for. It is true that the decline in farm income has not kept the rest of the economy from prospering, but it probably has kept some segments of our population in rural areas from sharing in this prosperity to the same extent as others. If the decline in farm income continued it could have created further economic imbalance, which might have ultimately caused trouble for all industry and thus the reversal in trend that is taking place now is very welcome and healthy. The Soil Bank authorized by Congress last month is expected to be the farmers' biggest single income booster, and while direct Soil Bank payments may not wholly compensate the farmer for the loss of income on unraised crops, it is thought that indirect benefits -- by way of higher prices expected for what he does produce -- will boost income by an estimated $2 1/2 billion a year once the Bank is in full operation.

Weather conditions continue good over the main crop producing areas of this country. The Nebraska weekly crop report states that corn made some improvement last week and with few exceptions there has been ample surface moisture for maximum growth, and the crop is ahead of its usual stage for this date. Some wheat was harvested by the close of last week and considerable will be done this week if weather permits. Returns so far indicate that yields range from very low to some good. Oats and barley are not as optimistically viewed, and reports show a marked deterioration of oats in northeast Nebraska where heretofore the outlook was more promising. The Minnesota report states that corn development continued good during the week. Soil moisture supplies were more than at an adequate level in the southern half of the State, although it is becoming somewhat short in the west central areas. Condition of corn is good, varying from fair to excellent. Soybeans average better than good and spring grains continue generally good in most parts of the State.

From abroad Broomhall reports that the French wheat crop is estimated at 163.3 million bu, which represents a sharp decline from the 377.8 million last year and only half a normal wheat crop is expected. The acreage which was lost to wheat in that country has been put into barley and a record crop is anticipated at nearly double the normal French production. Imports of wheat will have to be heavy in order to fulfill export commitments made by France to Western Germany.

When our market opened lower quotations were registered for wheat and although we did not hear of much wheat sold to Chicago buyers overnight, there was a little evidence of some hedges in the pit. Both Kansas City and Minneapolis markets were firm in comparison with Chicago, and while terminal arrivals were fairly heavy in the Southwest, an exceptionally high percentage of receipts is going into storage.

According to The Southwestern Miller no improvement has occurred in bakery flour business, and weakness in wheat futures has heightened determination of bakers to hold back on buying until flour prices have declined to their ideas. Virtually the entire trade is on the sidelines and mills are reluctant to push for bookings.

Beans opened slightly higher but reactions occurred shortly thereafter. The Census Bureau report showing May crushings at 24.6 million bu was about as expected, and while stocks of oil and meal are large, there was quite a variance of opinion expressed as to the adequacy of supplies. According to our calculations stocks of oil are equal to about 7 million bu soybeans in excess of last year and meal stocks about 4 1/2 million bu more. Using the minimum of these two would give us about 4 1/2 million larger supply of soybeans than June 1st a year ago. Corn bookings from the country continue very light and spot market basis here showed a slight improvement with sales recorded at 6 over July.

Primary receipts of wheat were 3.9 million bu compared with 2.7 million bu last week and 3.1 million a year ago. So far this week Kansas City and Minneapolis wheat stocks show an increase of 112,000 bu.

Tomorrow is the first day for tenders on July futures, and expectations are that there may be 1 to 2 million bu corn tendered, 1 to 1 1/2 million bu soybeans, and small amounts of oats and rye.

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CHICAGO, 4 June 29, 1956

The trade's proposal for a change in the method of handling export business has not made much headway, and at least it appears as though there is nothing imminent in the change of CCC's program. We still maintain that for the good of the farmer and his marketing, the suggested plan would have obtained that result. Government programs should complement private enterprise and not restrict same, as is presently the case. The government is the dominant factor in the export business, and through their methods affect all segments of the trade. Not only would we have free markets, but in our judgment, it would afford the producer a higher level of prices for his product. We trust that further consideration will be given to the plan before too much time has elapsed.

According to reports received from our Illinois Offices, more and more farmers are signing up every day for the clipping of oats in order to qualify for the Soil Bank. In several places farmers are standing in line at their local county agent's office in order to obtain papers authorizing the clipping. However, according to the law, oats must be clipped by July 1st, so time is now running out. We have been asked several questions as to the workings of the Soil Bank this year. The base acreage established for this purpose is larger than the allotted acreage established for qualifying for the $1.50 loan. For example, a farmer whose allotment is 50 acres will multiply this by 1.178, which would bring it up to approximately 59 acres. He, therefore, would have to put 9 acres of other land in the Bank in order to obtain Soil Bank payments. The land put into the Bank may be unplanted or growing some crop that will be cut or plowed under before it matures. A farmer who has planted more than his allotment but less than his base acreage could qualify for the Soil Bank by destroying corn to reduce his acreage to within the limits of his allotment. The payment to be made under the Soil Bank for corn will be about 90¢ times the normal corn yield on the land taken out of production. As mentioned above, oats must be clipped by July 1st, otherwise the farmer must sign an application by July 20th, and landlords by July 31st, if any corn or soybeans are to be destroyed. It must be done by July 31st.

According to the official figures of USDA total supplies of wheat for the 1955-56 marketing year just ended amount to 1,967 million bu. About 610 million was used in this country, exports were heavier at 330 million bu, indicating that the carryover on July 1st would be about 1,030 million bu, which is still slightly above the 1,022 million a year earlier. The bulk of the carryover will be in the hands of CCC. Farmers during this past year placed 276 million bu of the 1955 crop under the loan program, and of this it is estimated that 247 million will be delivered to CCC. There was 44 million bu placed under purchase agreement. Indications of producers seem to point to the fact that they will deliver 32 million bu, making the total turned over to the CCC 279 million bu, or 30% of last year's production.

Primary receipts of wheat today totaled 4,017,000 bu vs 2,345,000 bu a week ago and 3,566,000 bu on the comparable day of last year. When the visible supply is posted on Monday it will be compared with an increase last year of 3,339,000 bu. There were again 1,200 cars of wheat in Kansas City but think within another week receipts will drop perceptibly. From what we gather about 75% of the receipts in that market are going to storage, but space is getting much scarcer, and finally it may force more wheat onto the market. Ordinary wheat is selling in Kansas City about 10 to 13¢ under the net loan to the farmer.

There is very little evidence of hedging pressure in that market. In fact, if anything the mills seem to be buyers of the futures. While flour business is light, there is a feeling in milling circles that a good-sized flour business could develop on a 10¢ per cwt reduction in prices to bakers. This reduction could come about either through a break in the futures or a break in the cash premiums. However, we doubt if the business will be as large as took place last July.

Today is first tender day on July contracts. There seemed to be some disappointment in the amount of corn which was tendered up to noon today, and spot corn is still commanding a good premium in this market.

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CHICAGO, 4

July 2, 1956

As of June 1st world wheat supplies for export or carryover in the four principal exporting countries totaled 1.9 billion bu, which is 2% above the record of a year earlier. Only in the Argentine, where the crop was short, will supplies be smaller than a year ago. As far as the United States is concerned it looks as though the carryover on July 1st will be slightly more than the previous year, but with the Soil Bank, and the efforts to reduce acreage, we probably have reached the peak of supplies of wheat in this country, and most likely will start on a downward trend unless intensified fertilizing and better seeds will increase the yield per acre.

While farmers apparently are crowding the A S C offices in the commercial corn belt to get access to the Soil Bank Program, it is rather early to determine what crops will be withdrawn from production this year. The time limit has been extended from the 1st of July to July 15th, and this may lead to further clipping of oats, but whether any soybeans or corn will be plowed up will be a matter of the farmer figuring out which works to his better advantage, -- the 90% per corn bu Soil Bank certificate basis, or the probable marketing value of the crops on the land thereof.

There were 3,000 cars of wheat in Kansas City today. With the hot forcing weather, the peak of their movement should be over by the end of next week.

General heavy rains, coupled with cool temperatures, have vastly improved the crop prospects in Canada, according to advices from that territory. Early unfavorable weather precludes the possibility of a bumper crop or even a crop equal to that of last year.

When figures were issued Friday, parity prices remained unchanged for wheat, which now sets the loan price for the 1956-57 crop. Higher prices received by farmers for fruit, potatoes and commercial vegetables were primarily responsible for a 2% increase in the index of prices received by farmers during the month of June. However, increases in retail prices of family living items offset a decline in prices paid by farmers for production items.

Advices from Washington indicate that government officials, including members of the National Advisory Committee of the U S D A, are still in sympathy with the position of the grain trade, which has been cut off from participating in merchandising and marketing of wheat in the export programs. However, there are so many qualifying "buts" that it seems improbable that any hope of action can take place prior to September 1st at the earliest, although further consideration which would benefit markets, and the prices paid to farmers, might be given prior to election.

The Department of Agriculture is again asking for bids on up to 15 million bu of grain storage capacity in metal circular bin-type structures to be used for storing of 1955 crop corn take-over.

According to the Baldwin Elevator Co. of Illinois the oat crop is moving right along, and the size may be surprising as prospects showed much improvement during the month of June. They also report that the corn growth is fabulous, and the most advanced fields are shoulder high and ready to become tasseled, with good stands and marvelous color. The soybean crop is also making rapid progress. One of our men who drove into Iowa and Illinois over the week-end reported he never saw such beautiful corn and beans, although oats did not look nearly as good.

Flour business remains dull. Hedging pressure was in evidence the early part of the session, but wheat found good support. Beans are still being subjected to liquidation. Chicago stocks of beans increased 186,000 bu during the week, and there is almost 6 million bu in this market. Chicago wheat stocks increased 120,000 bu, while corn decreased approximately 1 million bu, leaving 15 million bu still on hand. Primary receipts of wheat today totaled 9,804,000 bu vs 7,060,000 bu a week ago; there is no comparison with a year ago, as it was a holiday.

When the visible supply of wheat was posted today it showed an increase of 5 million bu, corn decreased 2 1/2 million bu, while beans decreased only 34,000 bu.

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CHICAGO, 4 July 3, 1956

Another crop season has just started and as far as wheat figures are concerned they do not vary materially from those with which we dealt a year ago at this time. In making calculations, we naturally have to take into account that the carryover reserve will not be released until July 23rd, but in the meantime it is fair to assume that we have about 1,030 million bu of wheat on hand from past seasons. We must also realize that the bulk of this wheat is under government domination. While another crop report will be published soon, we have the earlier figure of 923 million bu which covers winter and spring yields, and there is no reason to assume that there will be much change unless we should have adverse weather or rust in the Northwest, which, of course, would cut down total production. Then, of course, we must also make allowance for imports of about 5 million bu, and if this is the case we are starting the crop year with a total of 1,958 million bu, which is still a very sizeable quantity and compares with 1,967 million bu a year ago.

The BAE forecasts domestic disappearance at about 615 million bu, and if we assume that exports will reach a figure of 320 million bu, then the carryover on July 1, 1957 would total about 1,025 million bu, or nearly the same figure that is likely this season when final results are tabulated. Thus it can be seen that the government has not had an easy job of cutting down our surplus supplies, although we feel rather confident that they have taken strong measures to bring about relief, and undoubtedly the Soil Bank, which has not been of any material importance thus far with respect to wheat, should at least bring about a sharp curtailment of acreage a year from now; thus the piling up of supplies seems to be about ended. Ordinarily it does not make too much difference whether the domestic flour business is contracted at one time of the season or another, except that when the business does occur it naturally has an immediate influence on the price level. Thus, overnight reports that a very substantial volume of trade had been put through was immediately regarded as bullish, and our market opened considerably higher even though most of the mills were probably long good amounts of cash wheat and had taken that position in anticipation of this business developing.

There had been a good deal of rain overnight. It reached as far south as the Texas Panhandle, and there was a fair amount of moisture also in Kansas, Nebraska and South Dakota. The weather map is still unsettled and chances are there will be showers tonight and Wednesday in the corn belt, probably heaviest in central and southern portions. It will also continue to be warm in the Central and Southern sections, with temperature more moderate to the north. The weather seems perfect for corn and bean crops, and even though rains in Iowa have not come up fully to expectations there have been no serious complaints so far, but we recognize the need for good precipitation in order to get best results. Some estimates on corn are running higher than last season, but, of course, it is too early to have very definite views.

Primary receipts were larger today and amounted to 4,697,000 bu which compared with 2,881,000 bu last week, but a year ago receipts amounted to 11,8 million bu, which was for two days. Kansas City stocks increased 934,000 bu and there was a decrease at Minneapolis of 100,000 bu.

Secretary Benson announced the national average support price for the 1957 wheat crop to be $2.00 a bu, which is the same rate at which it is being supported this season.

Our market was very strong, and with some rain in parts of Illinois and Indiana practically nothing was being offered from the country so that there was hardly any pressure. With the wonderful reports that we are getting new-crop corn and beans seemed to be rather weak, although undoubtedly there is some buying on part of people who feel that with the dual loan program on corn that farmers will be slow in selling. As far as old-crop is concerned, the movement from the country is almost at a standstill. Flour business, as we mentioned earlier, was extremely heavy, but it is doubtful whether the total volume was more than half of what we had a year ago when there was one day of enormous buying.

Moisture in the Northwest is not entirely satisfactory, and in some parts of North Dakota they are talking of rather low yields unless relief comes soon. According to the Peavey Elevator Report crops made excellent progress last week, and are heading even at the most northern points.

July beans are still quite nervous, and of course after a decline of 70¢ from the high point of the season there could be reactions from time to time.

The Chicago corn-hog ratio this week was 10.8, a week ago it was 10.5 and a year ago 13.2.

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CHICAGO, 4

July 5, 1956

The government is the biggest factor in the grain market today. Their total emergency grain-bin storage capacity has been increased to 999 million bu, in addition to which they have 77 million bu of wheat stored in 336 ships of U.S. Maritime Reserve Fleet at East and West Coast anchorages. Their financing is so enormous that the Senate has just voted to raise the amount of money that the CCC may borrow from the Treasury to finance price support operations to $14.5 billion. This is an increase of $2 1/2 billion from the previous figure. It is likewise the largest operation in which our government has ever been involved. Their inventory of wheat at the end of May was 990.2 million bu, and the CCC was financing on the same date nearly 54 million bu for a total of about 1,044 million bu. Their corn inventory is ratedto be 720 million bu, and besides this there is being financed under loan 425.5 million bu, or a total of more than 1,145 million bu. Thus it can be seen that with operations expanding they will need more funds, as they already had tied up on May 31st a total of $8.5 billion, including the loans financed by lending agencies.

Before our market opened this morning the various state reports had been circulated, and crop progress for corn and beans was outstandingly good. In Illinois they claim that corn now averages about 42 inches in height compared with 25 inches a year ago. The crop has grown about a foot just in the past week. Nearly 20% of the soybeans in this state have started to bloom, whereas ordinarily this does not commence until after the present date. Stands are better than average. In Iowa, thundershowers activity was general, and occurred somewhere in the state on nearly every day of the week. Totals were generally from one to 2 inches in the northern third of the state and as much as an inch or more in the southern two tiers of counties. Some stations in the south had as much as 5 inches of precipitation over the weekend. Prospects for corn and soybeans continue favorable in Iowa, although additional rain is still needed in most sections of the state. Since that data was tabulated there has been some scattered rain; for example, Keokuk, Iowa, claims to have had about 1 1/4 inches of rain Tuesday night, but it was lighter elsewhere.

We had the Galvin report, and as expected winter wheat production was increased but not as much as the reduction in the spring estimate of 26 million bu. In any case, the total indicates a yield of nearly 910 million bu compared with 923 million, which was the official government estimate in June; thus the prospective crop outturn will be about 13 million bu smaller than a month ago against an actual outturn last season of 938 million bu. The oat crop was also cut to 1,350 million bu, and heavy damage apparently occurred in states west of the Mississippi as a result of high temperatures and absence of moisture. There were offsets, however, and the indicated corn production is 3,337 million bu which compares with last year's harvest of 3,184 million bu. However, a year ago the early returns were favorable and sharp reductions took place between now and August. The outlook for the bean crop is for a yield of 429 million bu, which compares with 371,2 million bu last season. Not only is the outlook much more favorable but there is also an increase of nearly 2 million bu in the acreage. In the above figures Galvin estimates the winter wheat crop in the states of Kansas, Oklahoma, Texas, and Nebraska at 287.3 million bu.

Primary receipts of wheat over the holiday amounted to 6,832,000 bu which compared with nearly 4 million bu last week and close to 5 million bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 1.3 million bu.

Our wheat market was rather firm, and with wet weather in Illinois there is practically nothing being offered from the country. There were again pretty good receipts at Kansas City and elevators and mills were good buyers. At Minneapolis there was a sharp upturn, and that market was extremely strong with some covering in the July future and offerings were very light. The deferred futures of both corn and beans were weaker, and of course, this was prompted by the fine crop prospects. Oats were rather firm, probably due to the fact that a comparatively small crop is in prospect. July beans continued erratic, and at times they were influenced by the weakness in meal, but this was offset to some extent by northwest buying orders which appeared from time to time.

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CHICAGO, 4 July 6, 1956

There was not a great deal of grain news overnight except that heavy rains and thunder showers had been reported over sections of Oklahoma and Kansas, while over the corn belt it was mostly clear. The weather is not much of a factor at the moment, and from all reports that we receive both corn and beans are making wonderful progress; in fact, the outlook is so good at the present time that a good many traders assume that any change would be for the worse and that we might have deterioration between now and harvest time. Last year corn and bean prospects were almost perfect during the early July period, but insufficient rainfall and hot, drying weather took a heavy toll. Therefore, it is not safe always to count the chicks before they are hatched. On the other hand, if we assume average conditions from this time forward we have reason to believe that there will be large crops, except that it is too late to figure on much improvement in wheat as harvesting operations are about to start in all sections except the Northwest areas where it will still be another two or three weeks before we shall know the final results.

When our market opened this morning it was apparent that there was good business in spring wheat flour and still some straggling orders in hard wheat flour. A fair amount of hedges were taken out of the pit, all of which was helpful, particularly as it came at a time when July beans also were in better demand, and apparently some improvement in the oil market has been constructive. There are still fairly liberal receipts of wheat in the Southwest, but by the same token there has been rather aggressive buying of cash wheat by both elevator concerns and mills. In view of the fact that much of the wheat arriving at Kansas City is of good dry quality and mostly of high protein content there are ready takers for that portion of the crop which is being sold.

According to Broomhall, U.S. shipments of wheat and flour from July a year ago to June 30, 1956 were close to 336 million bu, and this compared with 272 million bu a year ago, so that our export sales were very much larger. It is generally being estimated that with somewhat smaller crops in Europe that we shall repeat this story during the coming 12 months. Since August 1st six of the large exporting countries have supplied about 800 million bu of wheat, which is also a bigger figure than a year ago when during the same period 714 million bu were placed afloat. France has been a fairly large contributor this season to the total and has exported 68 million bu in the 9 months period ending April 30th. There will be quite a difference in the year ahead due to the fact that their crop has turned out badly, although it remains to be seen whether the figures will be quite as pessimistic as those which were recently given in the official estimate. Our corn exports from this country since October 1st have likewise been bigger than a year ago; namely, 86 3/4 million bu vs. 62 1/4 million bu at that time.

Primary receipts of wheat amounted to 4.3 million bu which was a little larger than last week but not much different from last year. Kansas City and Minneapolis stocks so far this week show a net increase of 1.7 million bu. When the visible supply of wheat is posted next Monday it will compare with a very large increase of 14.6 million bu last season.

Trade was not particularly heavy, but as we mentioned earlier there was a considerable amount of hedge-lifting due to flour business. When this had been satisfied the market eased off, and apparently it is felt now that with clearing weather we will soon have an enlarged movement of wheat in the Central States and possibly some hedging. Even beans which had been very strong early yielded ground, and we believe that a few beans from the Southwest are coming to this market, which would indicate that there is no urgent export demand. Cash corn was strong, and premiums were the highest in some time. This resulted in comparative strength for the July future, and it closed very little changed, but the deferred months were weaker, and, of course, present crop prospects are such that it is difficult to get much enthusiasm on the buying side. Lard for the past day or two has been a little steadier, but its future will depend on export demand.

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CHICAGO, 4
July 9, 1956.

Farm prices rose through mid-June for the sixth consecutive month. Since the low of last December they have risen 11%, and have carried above year ago for the first time in nearly four years. The index of prices paid by farmers has edged up only 3% since December, and as a result the price-cost squeeze has continued to ease. Whereas farm prices averaged 80% of parity in December, the figure was 86% in mid-June, the best level in more than a year. In recent years prices received by farmers have weakened particularly after mid-year as record and near-record harvests got under way for many crops, and large supplies of livestock and livestock production came to market. Last year from mid-June to December prices declined by 8%. While they may weaken during the latter half of this year, according to a report of the Federal Reserve Bank of Chicago, prices are not expected to decline as much as they did during the second half of 1955. In addition, it is expected that declines will be cushioned by higher supports in some commodities, and also that the recent enacted Soil Bank Program together with stepped-up surplus disposal activities will contribute to a firmer tone in some commodity markets. It is anticipated that for the year as a whole, farm prices are likely to average at least as high as in 1955, and if marketings remain near the high level of recent years cash receipts may increase somewhat from last year's level. Some prognosticators expect that net farm income may even show a small increase for the first time in four years.

The USDA has announced extension for another 12 months of farm-stored loans on 1953 crop corn now under extended re-seal. The last reports indicated that almost 39 million bu of 1953 crop corn were reported under extended re-seal loans. Farmers who extended their 1953 crop re-seal corn loans may hold the grain on the farm for another year instead of delivering it to CCC on July 31.

Another USDA announcement concerned the "unit" rate for determining payments under the wheat Acreage Reserve of the Soil Bank in 1957. The unit rate will be 60% of the national average price support level. Wheat price supports at an average of $2. a bu for 1957 production will be available for those who comply with farm allotments in commercial wheat states if marketing quotas are approved in the July 20th referendum. The 60% unit rate will be $1.20 a bu as an approximate national average. The actual payments which a farmer can earn for taking part in the 1957 wheat Acreage Reserve will be determined by multiplying the base unit rate for the local county by a yield figure which will be established for the farm by the county ASC Committee.

Over the weekend there had been rather general rainfall over the corn belt, including Iowa where most needed, and it was also quite heavy over portions of the Southwest, while over the Northwest rainfall was light. In the Central States this may have interfered somewhat with harvesting of wheat, and Chicago firms reported that they purchased very little wheat over the weekend.

There was not much news to affect markets at the opening with the exception of beans. It was reported that a fair amount of linseed oil had been sold for export, with the result that the soybean oil market opened quite firm, as did the old crop delivery of beans. Meal on the other hand opened quite weak.

Wheat was firm, and there is little evidence, if any, of hedges being put into the market. Rye also was higher both here and in Winnipeg. Early strength in soybean oil failed to hold with the result that July beans also were subjected to selling pressure. New-crop beans were influenced both by the weakness in product as well as continued excellent crop prospects. Chicago soybean stocks are now 6.1 million bu, only about 1 million bu less than the high point of the season early in April. The spot corn basis remained firm at 8¢ over, and the to-arrive bid for last half July shipment was 9¢ over. The July future gained somewhat on the more deferred months.

Primary receipts of wheat were 8.3 million bu vs 9.8 million bu last week and 8.5 million bu a year ago. Chicago wheat stocks increased 815,000 bu, and now total 2,546,000 bu. Corn decreased approximately 700,000 bu, and the total here now is 14.3 million bu. Oats also decreased leaving slightly over one million bu in this market.

When the visible was posted wheat showed an increase of 13 million bu, making total stocks 354 million bu, or 10 1/2 million bu less than last year. Beans decreased 1,000 bu, giving us total supplies of approximately 10 million bu or 8 1/2 million bu more than a year ago.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO, 4

July 10, 1956

The proposal presented by the Grain Trade to the USDA for a change in method of handling export grain business has received the endorsement of cooperative grain organizations, and also has been vigorously brought to the attention of the Senate by Senator Humphrey of Minnesota. A few days ago Mr. Humphrey in a speech on the Senate Floor pointed out that the charter of the Commodity Credit Corporation expressly states that the facilities of the CCC are not to supplant existing market facilities but are to supplement, aid and to be of help and assistance rather than to monopolize and to take over. It has always called for making maximum use for existing market facilities, and the Congress has made clear its intention in that direction on many occasions. We agree whole-heartedly with the Senator's comments that under our present methods only limited use is being made of the efficient private grain marketing system, and that these methods are costly, first to the taxpayer, because of the extreme charges for transportation; secondly, costly to producers by throwing markets out of balance and depressing prices, and, thirdly, costly to the grain trade by reason of the fact that it is denied the right to do the kind of business it is equipped to do by experience. We sincerely hope that those concerned with shaping our government's agricultural programs will weigh carefully and give thorough consideration to the export proposal that has been suggested to them.

In looking ahead to the problem of maintaining U S wheat exports, the Foreign Agriculture Service of the USDA points out that U S exporters of wheat are facing a complex problem in the Middle East. All Middle Eastern countries are striving to increase grain output - either for greater self-sufficiency or for export. In good years Turkey, Iran and Syria are net exporters of both wheat and barley; Iran meets most of its own wheat requirements and Egypt and Israel, which must import, have been major markets for U S wheat. Efforts are being pushed in the latter two countries to increase production of wheat, and in Egypt compulsory wheat acreages must be planted; each farmer being required to plant wheat on one-third of his crop area. In Israel wheat imports averaged about 6 million bu in 1948-50, but have gone up steadily since then, reaching 12 million in 1954. During the past four years the U S has supplied somewhat more than one-half of the total, but in good years Turkey has been furnishing increasing quantities of wheat to Israel. Although the largest wheat producer in the Middle East, Turkey has been a net exporter since 1951, but their government's five-year plan calls for increasing wheat production to 378 million bu by 1960, which would provide supplies for export of almost 100 million bu. The short-term development programs under way in most Middle Eastern countries look toward increased self-sufficiency in foods and thus grain production is on the rise throughout the area. In the next five to ten years this may present an increasing problem to U S exporters interested in the European and Middle Eastern markets.

Weather has cleared over all the grain belt areas, although Chicago bought very little wheat overnight as combines have not yet been able to get back into the fields. Our wheat market was firm as there is very little pressure from any source. According to The Southwestern Miller there were bookings of family flour for 120 days coverage by distributors, on protection against a 20¢ advance that will become effective Wednesday morning. Active selling in all probability will keep up until then. Bakery flour business, meanwhile, is extremely poor, and export flour is also slow.

Weakness in oil and meal again led to liquidation in beans with the July future encountering most pressure. Chicago continues to get fair receipts of beans, and apparently this market is drawing beans from several areas. In export circles it was reported that Israel had purchased two cargoes of soybeans for November shipment, and also that the U K had bought parcels of corn, milo, red winter wheat, and Canadian feed barley. The spot corn market remained firm at 8¢ over bid. Firmness in the cash market imparted strength to the July future which gained on the more deferred months. Chicago free stocks of corn last week decreased 1,161,000 bu, leaving a total of 6.7 million bu free stocks here.

Primary receipts of wheat were 4,361,000 bu vs 4,697,000 a week ago, and 3,762,000 bu last year. So far this week Kansas City and Minneapolis wheat stocks show an increase of 636,000 bu.

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CHICAGO, 4

July 11, 1956

After the close of the market yesterday the government crop report as of July 1st was issued. The acreage of all crops harvested will be about 1% less than in 1955. The figures for the total wheat production are about unchanged from June 1st--namely, 922,272,000 bu. The production of winter wheat was raised, while that of spring wheat was lowered. The production in Kansas is now estimated at 149.2 million bu, which compares with 128.3 million bu a year ago. The Oklahoma crop is estimated at 64.2 million bu versus 24.2 million a year ago. In Illinois, the crop is estimated at 51.7 million bu--about in line with the previous year. The Indiana crop is also about in line with the year before, while Ohio is slated for approximately 2 1/2 million bu less than the previous year. In the spring wheat territory, other than Durum, North Dakota's production will be down to 75 1/2 million bu compared with 99.7 million bu last year. South Dakota is about 11 million bu less, while Montana, where early deterioration took place, is down about 16.8 million bu.

Food grain crops generally made favorable progress during the month of June, with the exception of some deterioration in some of the Northern Plain areas.

The government estimates the corn crop at about 3,300 million bu, and shows a very large yield per acre. This would be the third largest crop on record.

The soybean acreage for all purposes this year will reach a new peak -- 11% above the previous record. The government anticipates that a record high utilization for the crop of beans is expected, with less than usual diversion to hay and other purposes. Should we not run into difficulties from now until harvest time we should establish an all-time high improvement for this crop.

The oat crop shows the effects of early unfavorable weather, and also of clipping of the crop which has taken place in order to comply with the Soil Bank regulations. July 1st indications are for a crop of 1,143 million bu, which would compare with a yield last year of 1,499 million bu.

The weather forecast suggests some showers in the corn belt west of the Mississippi today, and east of the Mississippi tomorrow. This should be very helpful for the corn plant. The Nebraska weekly crop report states that corn made excellent progress throughout the State last week. The crop is much further advanced than usual for this date, with some of the earliest corn already being tasseled. The wheat harvest in that State is earlier than usual, but rains during the past week caused some deterioration; however, about 41% of the harvesting had been completed by the close of last week.

The Illinois Weekly Crop Bulletin states that both corn and soybean crops continue to show tremendous growth, and despite cool weather corn grew about 13 inches last week. Nearly 40% of the soybean crop has started to bloom, which compares with only 11% in 1955, and an average of 18% for this time of the year. They estimate that 80% of the wheat crop has been harvested which turned out to be a surprisingly good crop. The Iowa Weekly Bulletin stated that scattered rains in the past week maintained the favorable prospect for corn and soybeans in that State. A few areas not favored by rains are still dry. However, the crops will continue to demand additional moisture over the balance of the growing season.

Primary receipts of wheat today totaled 4.3 million bu against 5,002,000 bu last year -- a week ago was a holiday. So far this week Kansas City and Minneapolis stocks of wheat show a net increase of 755,000 bu.

The wheat market held firm most of the session, but toward the close there was hedge selling, and trade was not very active. While there was some wheat bought for Chicago overnight most houses report very little done. According to the Southwestern Miller flour sales were heavy between Monday afternoon and today's opening. They now consider that flour buying is probably out of the way among the two important segments of the trade for the time being.

July corn showed strength and although the spot basis in Chicago was lower, the July strength is being reflected in other months, but it would appear that the differential between September and December corn may finally narrow. July beans were strong mostly on short covering, and some talk of oil business to Spain for August-September shipment.

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CHICAGO, 4 July 12, 1956.

The weather continues to favor development of crops in this country and in Canada, Aside from the early drought conditions in the Western Canadian provinces and the dry conditions in our Northwest, which were much more serious to our spring wheat crop, the recent weather has been very favorable for development of grain. This morning's reports of moisture included light to fair precipitation in the three Western provinces and some good amounts of rainfall in our corn belt. The corn crop and soybeans have had exceptionally favorable conditions in most areas and even in Iowa, where precipitation has not been as favorable, the crop has advanced very satisfactorily. July precipitation is always most important for corn and soybeans, and up to now we have been most fortunate in receiving satisfactory amounts.

The European crop conditions are reported as mainly favorable, and harvesting is under way in southern sections but retarded in some parts by unsettled weather. The Italian wheat crop is expected to be 312 million bu according to trade sources, which would compare with the record production of 347 million last season. However, in addition to this year's production, Italy has a carryover of around 75 million bu. There is great controversy over the size of the French crop. While it is definitely much smaller than recent years' large production, trade estimates run up to 257 million bu which is in marked contrast to the recent official forecast of 163 million bu. Officials have stated that they will be required to import about 70 million bu of wheat during the 1956-57 season to take care of their requirements, and in addition, their long term export commitments. To date they have bought 10 to 12 million bu. The United Kingdom has a good condition for their growing crops with yields of wheat and barley about average, although oats slightly below.

During the current season world wheat shipments have been quite large amounting to 818 million bu since last August 1st by six important exporters. This compares with 724 million bu from the same countries last year. In addition, France exported 68 million bu up to the end of April compared with 83 million bu the entire season last year. If France is going to be a sizeable importer, it will require that other export countries ship heavier than the current season. Argentina has only a small balance remaining, but Australia has 153 million bu at this time versus 118 million last year, so that their supplies together with Canadian and United States surpluses still are very large. Neither Russian or Turkish shipments have amounted to much this year; combined they have exported about 14 million bu of wheat, which is only half of the amount shipped in the same time last year.

The Chicago mills and elevators seem to be accumulating a good sized stock of new crop wheat. The period of purchasing has been drawn out because of several shower periods. and it is expected that there is still considerable wheat to move out of the northern sections of both Illinois and Indiana. The early purchases came from the southern part of the state and probably exceeded amounts which have been bought for Chicago in recent years. St. Louis is still buying a good quantity daily which is an indication that as harvest moves into the northern sections, Chicago buyers will in turn get their share of the harvest.

Today's market in soybeans lacked the short covering which supported prices in yesterday's session so that the renewal of shower activity again brought pressure into the market. The ease with which Greece and Spain bought fair amounts of oil and some sizable tenders of oil on futures contracts led to easiness in that market and also affected the July soybeans. While there will be some substantial shipments of soybeans to processors from Chicago, they do not represent a large enough share of the stock to eliminate the requirement of a merchandising outlet for a substantial quantity.

The enthusiasm to buy oats lessened somewhat today. Traders have noted that oat prices have not had follow throughs on bulges; therefore, they were apparently cautious in their purchases today. Moderate amounts of hedges seem to be coming into the market which also generates caution on the buying side. This is about the date when new crop oats start to arrive in Chicago in volume, and it was estimated that probably half of today's receipts of 77 cars were new crop.

Primary receipts of wheat were 4,332,000 compared with 6,832,000 a week ago, which followed the 4th of July holiday, and 4,696,000 a year ago. Due to a large increase in Kansas City stocks, that market and Minneapolis show an increase of 1,074,000 bu so far this week.

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CHICAGO, 4

July 13, 1956

The Senate of the United States has approved U S participation in the International Wheat Agreement for another three years. Nations representing two-thirds of the buying and an equal number of exporting countries must ratify the Agreement before the end of this month to make it effective. In a debate in our Senate, Senator George pointed out that about $811 million have been spent in subsidizing exports of wheat, and he estimated about $92 1/2 million must be paid within the next year at an average of about 70¢ per bu. The Agreement was opposed by Senator Frear as interference with free trade. The new Agreement covers a price range of $1.50 minimum to $2.00 maximum. Great Britain still remains outside of the IWA for the reason that the Agreement contains no provisions which link the disposal of the existing surpluses to the working of the Agreement. The continuance of production in excess of the demand is not discouraged and furthermore, it does nothing to encourage consumption, and there is no effective provision to insure that prices be allowed to move freely within the limit set by the IWA, in accordance with the current conditions of supply and demand.

As pointed out by Broomhall the wheat problems which confront the world today are the results of two world wars. Up to the outbreak of World War #1, there were very few who doubted the wisdom of allowing a free enterprise wheat market to be built up in all countries of the world. If wheat could be raised more economically in one country than another, it was considered good economics to allow that country to make the most of its advantages. It was on the basis of free trade that the great surplus crops in the U S, Canada, Argentina and Australia came into being. Unfortunately, in the past several generations the old standards of economics have been discarded, and protection of the grower is now pretty well universally practiced Governments have taken the responsibility of seeing that growers are adequately compensated, and as a result have accepted the responsibility of finding markets and outlets for their protection. It no longer is true that wheat is being raised where it can be more economically produced. Despite our big surpluses cheaper production can be obtained in Canada, Australia, and Argentina. In a country like France the wheat grower has been subsidized to a point where that nation normally has an exportable surplus, and even Sweden and Turkey have aspired to being exporters of wheat.

Unfortunately, for the past few generations the support of farm production has been interwoven with politics, and this indeed is a very difficult trend to reverse The United States government is attempting to cut our wheat production through the Soil Bank. Other high-cost producing countries with more flexible wheat prices should limit their wheat production accordingly, and with more flexibility in prices, consumption of wheat can be increased for animal feed. With standards of living rising in all areas of the world since pre-war days, there is a potential demand for feed grains, including wheat, if prices are low enough.

There was rather heavy rainfall the past 24 hours over the corn belt east of the Mississippi River, and also rather heavy rainfall in central and eastern portions of the Southwest. The weather prediction indicates scattered showers and thunderstorms over the weekend for the corn belt, with moderately warm temperatures.

Quiet prevails in the flour trade, and we hear of no overnight export wheat sales. However, wheat found good support, possibly some of it is buying in of hedges which had been put out anticipatory of the wheat movement which has again been somewhat delayed on account of moisture.

The Senate passed the so-called anticipatory Hedge Bill which is now awaiting the President's signature to become law. As we understand this Bill it would permit the purchase of futures up to one year's expected requirements by processing and manufacturing, but it is still subject to further explanation and regulations on part of the Secretary of Agriculture.

Primary receipts of wheat today totaled 4,801,000 bu vs 4,324,000 bu last week, and 4,800,000 bu last year. So far this week Minneapolis and Kansas City wheat stocks show a net increase of 1,278,000 bu. When the visible is posted on Monday it will compare with an increase last year of approximately 15 million bu.

It was reported yesterday that Spain bought 10,000 tons of soybean oil and Greece 6,000 tons, but we have heard no details.

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CHICAGO, 4

July 16, 1956

The government announcement over the weekend that exports would be handled through private trade channels overshadowed everything else. Not much attention was paid to the fine weather in Illinois and rains through other parts of the Central West, together with an unsettled map. Rather emphasis was placed on a complete change in the handling of wheat for export. As it develops these sales will be made so that stocks will be drawn primarily from free market supplies rather than from stocks of the Commodity Credit Corporation. During the past season about 330 million bu of wheat was shipped abroad, but the business was handled in such a way that the usual marketing facilities were almost entirely neglected, and whenever foreign buyers wanted grains they were furnished from the accumulation built up by the billion-bushel hoard of wheat, and there were very few occasions when hedges had to be covered in the pit. Consequently, prices for long periods remained low, and this merely attracted new wheat to the loan; thus, there was stagnation and the market did not reflect anything except the domestic business for which apparently free supplies were about sufficient. At the end of the season the carryover stocks of free wheat were small, but with another crop looming in the foreground nobody became very excited. Thus the government program was not very effective in helping farmers except to the extent that those who were eligible for the loan could get a higher price in many cases than if they sold on the market.

Starting on September 4th sales for export will be drawn primarily from free market supplies. There will be a few exceptions such as barter agreements and donations made by the government, but in all probability this new method will stimulate buying in the wheat pit. Thus, higher prices are likely to prevail, and smaller quantities will go into the loan.

The subsidy instead of being paid on a cash basis will be paid in kind, so that exporters will be reimbursed by receiving payments in the form of wheat from government bins. This decision, we understand, was reached in an effort to furnish an export outlet for some of the government holdings which would permit rotation of stocks.

The Plan has been supported not only by the grain trade but by various farm organizations, and actually, according to a Department official, there was no organized opposition. In our opinion,, it is definitely a forward step. The Department has felt that an undesirable trend had been created, with increased concerntration of operations in the hand of CCC. For the marketing year which closed on June 30th, the great bulk of all wheat exports were from government stocks. The recent action will reverse this trend, thus returning the primary responsibility for handling of wheat exports to the commercial trade, where it belongs, and where undoubtedly it can be handled more efficiently. Furthermore, as the free market strengthens more loans should be redeemed by farmers.

Our market opened sharply higher with considerable short covering. Also some large flour business was worked over the weekend, which had probably developed as a result of the late Friday announcement.

Primary receipts of wheat amounted to nearly 8 1/2 million bu, which was about the same as last week, but this is probably the last Monday that we shall witness a heavy run of grain in some of the Southwestern Markets. With the extremely heavy flour business the cash demand was strong, and mills were good buyers. Here in Chicago there was a big increase in wheat stocks of 4.3 million bu, and the total now is nearly 6.9 million bu. Corn decreased heavily, leaving stocks of 12 1/2 million bu here, which was a drop of 1.8 million bu during the week. There was a small increase in oats, and a fair increase in local rye stocks, while the bean stock increased again to 6 1/2 million bu. The U. S. wheat visible increased 2.6 million bu to a total of 356.6 million bu; this is 23 million bu smaller than a year ago. Corn visible decreased 2.2 million bu, oats increased 839,000 bu. Bean stocks decreased 481,000 bu, leaving nearly 10 million bu in all positions.

Corn, oats and beans were influenced by wheat strength. Growing reports are exceptionally fine, and the Baldwin Elevator report spoke of glowing conditions in Illinois. Of course, we must recognize that until September 4th when the new program becomes effective there will continue to be sales made from government supplies, so we shall not feel the full benefits this season. Furthermore, since the subsidy is paid in kind, we must also figure that about one-third of what is shipped will come back on the market from government holdings. Nevertheless, it is sufficiently important, in our opinion, that it will be a sustaining influence.

Rye was very strong.

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CHICAGO, 4

July 17, 1956

Traders had a better chance to evaluate the news after the close of the market yesterday in light of the advance in wheat which had carried it to a point where some CCC selling of high protein wheat became possible. Furthermore, the large volume of flour business yesterday and today has taken care of the trade for several months ahead, and we may strike a period of moderate quiet for the time being, plus the fact that a good many shorts have covered. Therefore, the market, at least from a technical point of view, has been somewhat weakened. Of course, we can never lose sight of the fact that under the new government program there may be a potential demand for at least an additional 100 million bu of wheat after making allowance for the lateness with which the program started; also taking into account that subsidies paid in kind will return some government supplies to the free market. On the other hand, inflationary possibilities still lie in the foreground, and it seems that the Federal Reserve Board is the chief bulwark against this upward pressure. While the Board's principal functions are to provide reserves for sustained economic growth, it must at the same time guard against the granting of excessive credit that has the potentialities for disrupting the economy and at the same time undermining the purchasing power of the dollar. Since 1946 the increase in the total debt, including both public and private, has exceeded the national income for this period by $111 billion. Last year alone the excess of the debt increase was $23 billion, or nearly twice the national average for the last decade.

We have also had the same tendency in other fields. For example, consumer credit and home mortgage debts have increased more than four-fold since 1946. These items now constitute 46% of the disposable income as compared with only 19% in 1946.

When our market opened this morning there was not the enthusiasm which we had during most of yesterday's session. Part of this was brought about because of the fact that Chicago elevator concerns had been buying more wheat from the country; in fact, during the session they told us they had been making purchases on a fairly large scale. Some even slowed down figuring they had bought sufficient for their storage, at least for the time being, and it always takes a while before cars can be unloaded to clear the tracks at the elevators.

The weather map continues to be unsettled, and it looks as though the Central States would receive rather general moisture tonight or tomorrow, and there will likewise be some rain in the Northwest, as well as in the Southwest. During the past week one firm at Minneapolis states that moisture ranged from a trace to as much as one inch, but on the other hand we talked with one of our friends in that market and he did not believe there had been much, if any, improvement since the government figures were compiled. Thus, we may still have to deal with a comparatively small spring wheat crop, although the winter wheat has turned out better than had earlier been anticipated.

Primary receipts of wheat were somewhat over 6 million bu, which was a little larger than last year and compared with 4.3 million bu last week. Kansas City and Minneapolis wheat stocks so far this week show a net increase of 213,000 bu.

Trade was not near as large as yesterday, but apparently there were some more hedges taken out of the pit, as additional flour business had been reported. According to The Southwestern Miller aggregate bookings of spring wheat flour during the heavy selling will probably total close to 6 million Cwts, and soft winter volume is estimated at over 2 million Cwts, while nearly 5 million Cwts of hard winters were booked. After completion of these orders the entire flour trade, with few exceptions is well contracted ahead, and the demand now appears to be slow.

In corn we find that the free stocks here in Chicago decreased 2.3 million bu last week, and remaining stocks have been cut to 4.4 million bus. This brought some buying into the market, and even the December future was strong, as a good many traders feel that there is some risk in taking a short position before about August 8th after which time the crop is pretty well made.

Beans were a little firmer at one time, but there seems to be selling of the July future on rallies, although one of the industries is apt to move about 1 million bu of beans from this market. However, longs are not very aggressive any longer.

The 30-day weather outlook, for what it is worth, tells of expected precipitation to exceed normal in the Great Lakes region and Midwest. Sub-normal amounts are indicated in the West Gulf States, the far West, and the northern Rocky Mountain States. Elsewhere rain should be near the normal.

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CHICAGO, 4

July 18, 1956

The general inflation that we have had in this country during the past decade and a half has naturally had a good deal to do with the increase in farmers' production costs, although improved techniques and the thousands of new tractors and other farm machinery which have been purchased naturally played an important part also in these developments. Nevertheless, we do call attention to the fact that in the ten-year period prior to World War II total production expenses of all farmers in this country amounted to only $5.6 billion, and in the same period gross farm income was $9.9 billion. Therefore the realized net income to agriculture was about $4.3 billion. While it was not a very satisfactory return on his investment, there was probably no more complaining then than there is at the present time when realized net income for 1955 amounted to $11.3 billion. We find that the current gross farm income of practically $33 billion is not far from the highest figure ever reached, although in 1951 it amounted to $37 billion.

Since that time there have been declines all along the line due to falling prices of farm commodities, but we also find, by the same token, that farm expenses have been curtailed, and they are about $1 billion less now than they were five years ago, Thus, agriculture is making some adjustments, but in all probability the main grievances stem from the fact that we had one enormous year in agriculture: namely, 1947, when the realized net income rose to $17.2 billion, and practically all comparisons since that time are being made with that banner year. As a matter of fact, there have been rather consistent declines since that time, but it should also be remembered that production expenses have risen $5 billion since 1947, which, of course, is largely responsible for the poorer net showing. It is, of course, not the fault of the farmers that they have had to pay higher costs for labor, and that in many cases machinery costs have gone up, but, by the same token, there were periods when a considerable amount of extravagance was practiced as is generally the case when we have prosperity and when people generally buy more than they actually need.

Before our market opened this morning we had news from what we considered a very good source, that the government might handle coarse grain exports in a manner similar to wheat on a subsidy basis, thus returning it to the private trade. However, there were denials quite emphatically from Washington that there was no such action being taken for at least a year. One high official reported that the Department would probably not try it for coarse grains until it could be seen whether the wheat program really worked. Both of these pieces of information came out before the opening, and we so advised our customers; therefore, it had no market effect, although we recall a few weeks ago when there were some very strong denials that a change in the program was contemplated for wheat. One well informed Washington reporter stated at that time that while pressure had mounted there was very little chance of anything being done for quite a time at least. Then suddenly we heard last Friday that the entire attitude of Washington officials had changed, and there was a rather strong letter by Under-Secretary True D. Morse telling of the undesirable trend that had been built up through concentration of export operations in government hands and that the new action would completely reverse this trend -- thus, returning the primary responsibility for handling wheat exports to the commercial trade, where it belonged, and where, in his opinion, it could be handled more efficiently. Mr. Morse stated at that time that the change would increase the demand for free supplies to meet export needs, and thus strengthen the market. He also said it would result in less acquisition of price support stocks by the CCC.

Primary receipts of wheat were 3.8 million bu, just a trifle less than last year, and this compared with 4.3 million bu last week. Kansas City and Minneapolis stocks so far this week show a net increase of 150,000 bu.

The wheat market started unchanged but became firm, and sentiment generally is bullish due to the change in the handling of exports, although it will be some time yet before any real hedges are lifted in the pit. Flour sales have dropped to very small proportions. Corn was strong, and in spite of denials from Washington that they are not doing anything at the moment to change selling policies abroad there are still those who believe we may have some action before long. Oats were very strong, particularly the nearbys, and the carrying charge between December and May was wiped out. Deferred bean futures were high, but July beans were under pressure from time to time as longs liquidated.

UHLMANN GRAIN CO.

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CHICAGO, 4 July 19, 1956

Taking a look at the various crops and commodities which are of prime interest to farmers we find that last year half of the agricultural income in this country came from the sale of five major items in the following order: cattle, wholesale milk, hogs, cotton and wheat. Cattle and calves accounted for 16.7% of the total, wholesale milk 12.2%, hogs 9.9%, cotton 9%, and wheat only 5.7%. This is quite a change during the period of the past 30 years because at that time cotton receipts led all the rest, while cattle was second, hogs third, wheat fourth, and wholesale milk fifth. It goes to show, however, that while corn is a huge crop, and from a monetary point of view may be regarded as one that brings the farmer well in excess of $3 1/2 billion, that the price for the raw commodity is not nearly so important as what might be termed manufactured articles -- in other words, hogs and other animals. In many cases feeding operations are much more remunerative than if corn were sold. As a matter of fact the main reason for the large corn crop is that we have a big demand for feeding, as it takes about 18 bu of corn for every man, woman and child in order that we have all the meat, poultry, eggs, butter, ice cream, milk, etc. that is needed. It would, indeed, be a catastrophe if we ever fell back in our corn production to the figure that we used to consider normal before the war: namely, 2,339 million bu.

Actually people are eating much better now than they did in any time in history, and it seems that 3-billion bu crops are almost a necessity to take care of our living standards.

As far as exports are concerned in corn, they are not an important item any more, as we rarely ship more than 100 million bu or so, which seems like a small figure in comparison with the 3-billion bu crops, but it looms somewhat higher in light of what takes place: namely, that a large percentage of export shipments come out of the quantities that ordinarily come to primary markets.

Before our market opened this morning there was not a great deal to guide it. Weather had been satisfactory for most areas. There were again some rains over parts of the corn belt, and this time eastern Iowa was included. They also occurred over portions of the Southwest, while there was heavy rainfall in Minnesota; temperatures are mostly on the cool side, except for the far Southwest. We are not getting very optimistic reports from the spring wheat areas, although in central and northern districts of North Dakota prospects continue to look good to very good, except for the northwest part of the state where conditions are spotted. Minnesota crop prospects show promise of a generally good to very good condition for small grain, and reports on corn and soybeans are said to be good to excellent over wide areas.

Chicago firms did not buy much wheat overnight, which was for various reasons. Some are waiting until they can unload what was previously purchased, and others have filled their space requirements, while towards the East bids were higher than those of Chicago buyers.

We heard from Canada that crop reports continue favorable, and there were further showers in Manitoba and Alberta overnight. A period of warm sunny weather would now be appreciated.

Primary receipts of wheat were more moderate and amounted to 3.5 million bu which compared with 4.3 million bu last week and 3.7 million bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 79,000 bu.

There was not a great deal of news during the session except that a good rain was reported in the southwest corner of Oklahoma, and after the recent heavy milling business it seems that orders for flour will be rather sparse. The trade is covered for several months ahead, and in some cases buyers have covered their needs for the next four months. After a higher market early in the day, we had some selling which caused the decline. New-crop bean futures opened very strong, but when the July future became so weak there was some realizing in the later months. The July has been subjected to liquidation and it sold at the lowest price today that has been reached in a long while. The premium of July over September also narrowed further. Hedgers in oats are going into May, which naturally has caused a good discount for that delivery under December. Apparently the short oat-crop is being felt even this early in the season. In corn the weather continues perfect, and some scattered showers are expected tonight and probably Friday, which had a little bearish influence on the trade. When the new crop months declined, it naturally affected the old crop futures also and they went down in sympathy.

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CHICAGO, 4

July 20, 1956

July soybeans were born on September 22, 1955 and weighed $2.36 1/2 per bu. They had a little trouble after birth, and on November 28th sank to a low of $2.32, but thereafter had a very active career. It was largely due to the heavy oil business, stimulated by government grants, that an unusually large crushing season developed. As a result the largest crop that had ever been raised was fairly well consumed, and chances are that we will only have a nominal carryover on October 1st, but in that respect it is no different from the normal because beans have always been fortunate in that therewere never burdensome reserve stocks at the end of any season since they became an important crop. Thus they differed from wheat and corn where accumulations have been large. At one time it was thought that with the government allocations we might actually run into a deficit, and it probably was for that reason that a large consumer trade and speculative business carried the price to $3.42 1/4 on May 2nd of this year. Since that time we have been readjusting to more realistic conditions, and now find that while the supply and demand situation is probably closely balanced there is nothing acute in the picture, and as usual high prices curtailed consumption, with the result that we shall have sufficient stocks to carry us into the new crop. From the high point the market broke more than 85¢ per bu, thus making the automatic adjustment between supply and demand. In our opinion, the September future, which is still commanding a premium over the new crop deliveries, may be influenced by the arrival of some new beans in September, and may therefore undergo some adjustments as time goes on.

There will be a vote today in farming communities of the country on whether or not producers are in favor of a wheat marketing referendum for next year. There is little doubt in our minds but that they will cast an affirmative ballot. However, if quotas should not be approved the support price in 1957 would be about $1.21 per bu compared with the 1956 support price of $2.00 per bu this year for cooperators. It is quite evident for these reasons that they will be influenced, as they have been in the past, by monetary considerations. This factor, therefore, is having very little attention, even before the vote is tallied.

There was nothing particularly new in the overnight news, except that the rains around Chicago were heavy, and they extended also in lighter fashion to parts of the corn belt. On the South Plains of the Texas Panhandle they had some fine moisture which, of course, is not only good for the sorghum crop, but restores precipitation to the ground, which for a long time has been undernourished. In other places the rains have also been helpful, and at St. Louis we heard today that for the first time since 1951 moisture conditions had returned to normal.

Late yesterday the USDA reported that 420 million bu corn was put under price support by June 15th. This is an increase of 41.6 million bu since the May 15th statement. The tabulation is complete now for the 1955 crop support program, which ended May 31st, except for some minor adjustments. The last corn crop of 3,241 million bu was better than an average crop. The CCC has sold 102 million bu, making a total of 3,343 million bu available, but deducting the 420 million bu under loan the net free supply amounted to 2,923 million bu. This compared with a similar figure last year of 2,903 million bu, so actually there is not much change. It should be stated, however, that farm disappearance of corn during the first six months ofthe season was 150 million bu larger than a year ago.

Statistics did not count for much; in fact, all attention was paid to the expiring July futures. Beans were very weak, and this had some effect on the balance of the list. Wheat was somewhat lower, and so was corn. Weather continues ideal, and gives very little encouragement to longs.

We wrote to the Department of Agriculture inquiring from the Barter and Stock piling Division, if they could give us an estimate of how much wheat was bartered during the 1955-56 season. They figure that according to preliminary estimates 55.1 million bu was bartered out of total wheat and flour shipments of about 335 million bu. This would be about 16 1/2% of the crop.

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CHICAGO, 4 July 23, 1956

The most important thing right now is weather and crop development, and these are about as good as one could expect during the month of July. So often we have excessive heat and lack of rainfall, but this has not been the case so far this month. In fact, almost all the reports we are getting are extremely optimistic, so that one might easily expect some improvement between the July report and the figures that are given in August. Here in Illinois rains have enabled corn to maintain marvelous prospects, according to the Baldwin Elevator Company, and both color and development of the crop are said to be magnificent. All early plantings are tasselled and are shooting ears generously. Through the central and southern corn areas the crop is considerably ahead of last year, and also ahead of average. These people say that prospects as of now have never been better or as good. There were some scattered showers over the corn belt and also over the Southwest and a few Northwest; heaviest amounts were in Ohio and from that point east. Temperatures continue on the cool side over the corn belt and are warm Southwest.

In view of these reports and also judging from those who have travelled in the country over the week-end, we have hardly ever had a better growing season; thus it is not surprising that markets opened lower this morning. The wheat referendum was approved by an overwhelming majority, and this had been fully expected, as the odds were all in favor of the farmer.

We find in studying the Government Disposal Program that great strides have been made during the past year. Donations of surplus foods reached a total of more than 2 billion lbs during the fiscal year, which ended June 30th, and this was about 95% more than had beendistributed in the previous year. Substantial gains were made both in the domestic and foreign field; eligible recipients in this country received a total of 794 million lbs, which was an increase of 61% over the year before. Donations to schools alone totaled 266 million lbs and were up 36%; to institutions the increase was 39%. Foreign donations amounted to 1,220 million lbs, which was 125% larger than in the previous fiscal year. Currently we are giving away food to needy persons in 84 foreign countries through 25 private U. S. Welfare Agencies. So it can be seen that this has become a vast business and if continued at the present rate might be a most important factor, particularly as the family distribution program goes directly to those who heretofore have probably not been able to buy our merchandise.

According to Washington reports about 4 1/2 million acres have been retired this season from production through the Soil Bank Program. The wheat which is included is probably that which had been in poor condition and might not have yielded much, but USDA experts say that only a relatively small corn crop acreage is involved. In any case it shows what may happen in future years if farmers have more time to take advantage of the benefits. As far as beans are concerned, total acreage this year will be about 21 million acres that are expected to be harvested based on growers' intentions. This would top last year's harvested acreage by about one-eighth. The hay crop as last estimated by the government shows a reduction of 5% compared with the record crop a year ago but yet is 3% larger than average. Chicago buyers bought very little wheat from the country over the week-end and from our observation they were not bidding very aggressively.

Chicago wheat stocks increased 2 3/4 million bu this week, and we have 9.7 million bu of wheat here now. Some people are of the opinion that as free stocks build up there may finally be 10 to 12 million bu here. Locally corn increased 583,000 bu to 13 million bu, oats increased 509,000 bu to a total of 1.7 million bu; there was a small increase in rye, and bean stocks went down 640,000 bu leaving 5.9 million bu here.

Trade was not particularly heavy but most of the weakness came in corn and in beans where the weather had been wonderful over the weekend, and as stated before, great optimism prevails. Even oats declined, but there is not the same optimism expressed for this crop, and while there may be a little improvement since the July government report was issued, there still will be deficicienies as compared with the last two or three years. Wheat was lower during the first half hour, but gradually prices improved. There is extreme dullness in the flour trade, and after the large orders that were put through last week we might well go into a period of dullness until bakers come back into the market. The feeling generally is that while exports between now and September 4th will be handled by the government that improvement will take place after that time. The futures market should develop on a larger scale when private stocks are exported, which will take many more hedges out of the pit than heretofore, and it probably also means that we shall have a firmer market when that time comes. The U S wheat visible increased 18 1/2

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CHICAGO, 4 July 24, 1956

After the close of the market yesterday, the Agriculture Department gave official figures on the July 1, 1956 carryover stocks of wheat, showing that there was 1,030 million bu in the reserve stock. This was the highest figure ever attained and compared with the previous peak of 1,025 million bu last year. Incidentally, the latter figure was revised in yesterday's compilation. Attention was called to the fact that an increase of only 5 million bu over the previous season was the smallest increase since 1952-53 when we started building up our huge surpluses It is also figured that if we raise a total winter and spring wheat crop of 922 million bu and import 5 million bu, we shall probably cut a little into our reserves by July 1957. This is based on a forecast that domestic consumption will account for 615 million bu and that exports will reach a figure of 320 million bu. Nothing is said from that time onward, although with the Soil Bank and the subsequent reduction of acreages we may make further dents in these surpluses as time goes on.

It might be interesting for a moment to reflect on what the carryovers had been in other years. We have before us figures going back as far as 1909. Since that period the smallest reserve stock we ever had was 40 million bu in 1918, which was a war year, and at which time our exports to Europe were very large. In more recent times the smallest reserve stock was in 1937 when there was only 83 million bu on hand, and that was due not so much to heavy shipments abroad, but rather at the culmination of a drought period when for four successive years we were raising less wheat in this country every season than was actually being consumed. The figure in 1947 was only 84 million bu, and that incidentally is the year during which net farm income was $17.2 billion, the highest that has ever been reached in this country. It was not due alone to high wheat prices, but to general agricultural prosperity and the fact that nine years ago production costs were some $5 to $6 billion lower than they are at present. As a result farmers were able to keep more of what they took in, although even in 1947 gross farm income was only about $1 billion greater than last season; thus sliding prices for agricultural products are not as important as the additional overhead that has beset the entire farming community.

The government also gave figures on the July 1st stocks of other grains in all positions. The amount of corn shown was 1,745 million bu vs. 1,601 million bu last year. The amount of rye on hand was 16.3 million bu, or practically the same as last season. The oat stocks of 346.5 million bu are up just slightly from last year, but this, of course, is more than offset by the smaller estimate for this season's crop.

There was a little hedge selling this morning in wheat, but it came mostly in the December future. Locals on the other hand were good buyers. We heard that shipments out of Chicago included 752,000 bu wheat with Buffalo as the likely destination, and there was also 105,000 bu rye moved from here via the Illinois waterways. Despite somewhat easier bids east of us, bookings from the country for shipment to Chicago were not large, and, therefore, pressure on our market was not heavy.

Primary receipts of wheat amounted to nearly 4 million bu which compared with 6.2 million bu last week, and 4.2 million bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 256,000 bu.

All markets were on the weak side early in the day, but a better sentiment prevailed in beans, and after all that market not only came closer to the loan price but it also had had sharp breaks during the last few sessions, so if for no other reason a technical rally was in order. There seemed to be an upturn, which at one time carried the November future into stops. Corn was likewise on the weak side early. We heard of some higher prices that were paid in the East for cash corn, although here in Chicago the demand did not show any great improvement. The elevators, however, seemed to be holding their prices on a very firm basis, and the movement from the country is still extremely light. The December future was relatively a little stronger than the September, although weather conditions are still extremely favorable. In wheat, there was no important feature, but underlying the market is the fact that before long export business will come out of private stocks. There may be some anticipation of this business already, plus the fact that very recently larger flour orders were placed, and a good many futures were bought here, and this is giving some support to the market. There was not a great deal of buying today, although some purchases, and altogether the market had a muc bette under better undertone. New flour business was extremely light, and there probably will not be much improvement for several weeks in view of the large volume that was

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CHICAGO, 4

July 25, 1956

Living costs in June were reported yesterday to be the highest in history, and they have gone up to some extent so far in July. The farm value or payment received by farmers for the farm products equivalent to the foods in the market basket was up 7% from the first quarter of 1956, and increased from 2 to 4% in each of the last four months. Most of this increase resulted from the sharply increased prices for hogs, which caused an 18% rise in the farm value of the meat products group. However, fresh fruits and vegetables also contributed somewhat to the increase. It is also interesting to note that the farm prices of beef and pork have increased more at the farm level than at the retail level during recent months.

It should be mentioned, however, that farm prices alone do not account entirely for the increase that has occurred in the higher food bill the average consumer pays. Since the mid-1930's total labor costs have increased in each year. The cost of labor is the largest single element in the marketing bill of food; therefore, trends in hourly earnings of labor and output per manpower are the major factors affecting the trend in total charges for the marketing of farm products. Labor costs made up 47% of the marketing bill for farm food products last year, while transportation costs were 13%, and corporate profits only about 6%. Other costs and non-corporate profits accounted for the balance of 34%. In any case each of the elements in the marketing bill has more than tripled since 1939. Thus there have been increases in the total marketing bill for farm food products in each year from 1939 to 1955, and there is apparently no end in sight. Farm income, judging from the results of the first six months of the 1956 fiscal year should be at an annual rate of $11.6 billion. This means realized net farm income, after taking into account production expenses of about $21.6 billion. This would be a slight increase over last season. It is not too bad a showing when we consider that total crop output is likely to be down substantially. Reductions are in prospect for wheat, oats, barley, sorghums, tobacco, rice, hay, and dry beans. The total production for deciduous fruits is estimated to be off 5%, and the acreage of cotton in cultivation is down 3%. However, there are offsets in the livestock field as record production is in view for meat, milk, eggs, broilers, and turkeys.

Before our market opened there was some news that the cash demand locally for corn had improved, and elevators were paying a higher price than yesterday. This reflects tightness due to the fact that so much corn is under government ownership. While crop reports are generally favorable there are a few exceptions, and temperatures in the Northwest are expected to reach the high 90's today, which may add to the complaints that have already developed in South Dakota and a few other sections of the country. For example, the corn and soybean crops in Iowa continue to develop unevenly, although during the past week results were quite favorable over the state. In Illinois these same crops were benefited by rains and it is possible that bumper yields will result. Many people continue to say that prospects for these crops were never better. Nevertheless, favorable conditions must continue if today's excellent prospects are to be maintained. In Nebraska, corn deteriorated considerably last week because of adverse conditions the week before, and the crop is very spotted with corn in some localities firing a little. However, in areas favored with rainfall corn is holding well.

Primary receipts of wheat were very moderate at 2.5 million bu, which was about the same as last year but compared with about 3.8 million bu last week. Kansas City and Minneapolis stocks so far this week show a net increase of 565,000 bu.

There was a little early buying of wheat on prospects of warmer weather Northwest, and while temperatures tomorrow may be somewhat higher, the late report did not look for any extensive heat, and chances are that it will be followed up by somewhat lower temperatures. This brought some selling into the market particularly as soybeans also turned very weak, and yesterday's bulge failed to hold. There was not very much news except that milling demand is now extremely inactive, and most of the bakers are pretty well contracted ahead. On the other hand, millers who made recent sales are long the futures, and this, in our opinion, plus the fact that in September export business willcome out of private hands, may be factors in preventing any real sharp breaks. The oat market was quite strong today, and while some people believe there may have been improvement since the beginning of the month, the crop will still be a small one based on comparisons with the last few years.

We are getting advices from Canada that their rye is selling at such big discounts under Chicago, and they feel there are spreading possibilities even though only about 3.3 million bu of rye will be permitted to come into this country because of our import restrictions

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CHICAGO, 4

July 26, 1956

There are several indications that our economic activity is on a sound basis, particularly now that the steel strike is nearly ended. Employment in June reached a new high of 66 1/2 million, which was up a million over a month ago, and 2 1/2 million more than a year earlier. The civilian labor force, which numbered 69 million in June, has increased nearly 3 million during the past twelve months. Consumers' income, after taxes, during the quarter just ended, increased by 1.6% over the first quarter, according to preliminary estimates. The Council of Economic Advisors tentatively estimates personal disposable income in the second quarter at a rate of $284.8 billion compared with $280 billion in the first quarter. There has recently been evidence of a pick-up in retail purchases during the second quarter, and both durable and non-durable goods shared in the advance, particularly the latter. New installment credit extended to consumers during May totaled $3 billion, and this likewise reflects primarily a seasonal increase in automobile credit. The one thing that is not quite so optimistic is that the extensions of credit exceeded repayments but the increase in the amount outstanding was less after seasonal adjustment than in any previous month this year. Total consumer credit outstanding is now equal to about 13% of personal income after taxes-- up about 1% from a year earlier.

Before our market opened this morning there was not too much to guide it. There had been some rather warm temperatures reported in the Northwest, and apparently these will continue for another day, but as an offset there were some nice showers in various localities, and it looks as though more moderate temperatures would probably prevail tomorrow. In Canada, they had some heavy rains, and in fact, hail over a 100-mile stretch covered a much greater area than is generally the case. Hail is the one element of weather against which insurance may be obtained because it is so often local in character. Temperatures are somewhat warmer over the corn belt, but there may be some relief by tomorrow although showers, if they occur, will be isolated and quite scattered.

Broomhall's Foreign Crop Summary speaks of heavy rains in a number of European countries, which has caused extensive lodging of crops, although at the time of his report conditions had turned more favorable, and sunshine was reported in most areas. There was stormy weather in France, whereas dry, sunny conditions were wanted. The wheat crop is now privately estimated at 202 million bu vs. the government's official report of 163 million and last year's crop of 377 million bu. In Italy, weather is clear, which favors harvest, and a large outturn is expected. It has likewise turned clear in Spain after heavy rains, and harvesting conditions will be resumed shortly.

During the past week the U. S. exports of wheat and flour amounted to nearly 6 million bu, according to Broomhall. This brings the total since July 1st to 27 1/4 million compared with only 20 million a year ago. U. S. corn exports for the week were 510,000 bu, and since October 1st, we have shipped 91 million compared with 68 1/4 million a year earlier. We had reports this morning from Winnipeg that an additional 315,000 bu rye left Fort William for South Chicago yesterday.

It was reported there had been a good-sized export business in parcel lots of beans yesterday and overnight for October-November-December shipment to the Continent; also that Japan was asking for offers of 2 cargoes for the first half November and December shipment. The bean market after some early hesitancy was quite strong, and in addition to export news, there was considerable trade gossip that meal might be included in P L 480, which would enable foreign buyers to purchase meal, payment in their currency. An unofficial source in Washington pointed out that funds under P L 480 have been doubled to $3 billion, and that efforts are being made to include both soybeans and meal under its provisions. Enthusiasm was tempered by a report of the American Soybean Association, who stated that as of now it appears that the 1956 soybean crop will set a new record. They pointed out that U S D A expects a crop of 425 million bu, and would not be surprised at 450 million. August and September weather will determine the timing of the new crop movement, but as of now the general expectation appears to be that the 1956 crop will start to move somewhat earlier than the 1955 crop did. If this is true there will be a substantial September movement. There is little news affecting other grains.

Primary receipts of wheat were approximately 3 million bu compared to

3 1/2 million bu last week, and almost 3 million a year ago. So far this week Kansas City and Minneapolis wheat stocks show an increase of 571,000 bu.

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CHICAGO, 4 July 27, 1956.

According to the USDA another big supply of feed grains and other concentrates totaling about 195 million tons is in prospect for 1956-57. This would be within 1% of the record supply last year and 13% above the 1949-53 average. Production of feed grains indicated in July at 124 million tons is 7 million tons below last year's big crop, but the carryover is expected to be about 5 million tons larger than the record 39 million tons last year. A reduction in livestock numbers is in prospect, principally in hogs, and the feed concentrate supply per animal unit is expected to be slightly larger than in 1955-56. A supply of this size would be sufficient to meet the prospective livestock requirements and leave another big carryover into1957-58. Corn supplies, based on July indications, will total over 4.4 billion bu, consisting of an estimated crop of 3,267 million bu, and a record carryover of close to 1.2 billion bu. The supply of oats on the other hand is expected to be substantially smaller than last year and the barley supply moderately smaller

In reviewing oilseeds, fats and oils, the Department states that supplies of food fats other than butter in the marketing year beginning October 1, 1956 probably will be almost as large as this year's record quantity on basis of July 1st indications. Production probably will be about as high, with reduced output of lard and cottonseed oil offset by record production of soybean oil. With per capita consumption of food fats likely to continue stable, the quantity available for export in 1956-57 would be down around 15% from this year's huge quantity of 2.7 billion lbs, but still above any other year. Present prospects suggest that sales for dollars in 1956-57, plus the carryover of some unfilled P.L. 480 programs, will be at least equal to a large percentage of the quantity of all food fats expected to be available for export. However, the actual balance between exportable supplies and export demand will depend on crop yields in the U.S. as well as developments in the rest of the world.

The total wheat crop was estimated as of July 1 at 922 million bu, about 25 million less than domestic disappearance and exports in 1955-56. The USDA reports this indicates a likelihood that the carryover on July 1, 1957 will be down slightly from this year and that prices for the marketing year as a whole may average slightly higher relative to the loan rate than in 1955-56. Prices received by farmers, including unredeemed wheat at the loan rate in the year just ended, averaged $1.98 compared with the average announced loan of $2.08, while the loan rate for the 1956 crop has been announced at $2.00. It is expected that under the new export plan beginning in September the increased demand on free supplies to meet export needs will strengthen the market and result in less acquisition of price support stocks by CCC and no net increase in CCC inventory holdingsof wheat is expected. CCC stocks of wheat, in addition to being used as subsidy payments in kind under the new program will also be used for carrying out barter contracts and providing supplies for domestic and foreign donation programs.

Over 8 million acres have been signed up under the 1956 Acreage Reserve Program of the Soil Bank through July 20th, according to reports as of that date. The amount of acres put into the Soil Bank almost doubled the previous week's figures as the totalthrough July 13th was 4.4 million acres. The deadline for producers to enter land in the Soil Bank is July 27th. If producers comply with requirements of the programthey can earn nearly $165 million on the 8 million acres entered.

When our market opened there was little news other than weather to affect it. According to The Quaker Oats Company weekly report, inthe prolonged drought areas of Iowa, corn generally has deteriorated to where even at best very little grain can be expected, and the same holds true for corn in central Nebraska and central Kansas. Generally fair and hot weather prevailed over the grain belt areas overnight and some attention was paid to corn due both to weather conditions and the fact that the spot cash market continues to command a sizeable premium over the September future. Cooler temperatures are looked for in Iowa and Nebraska but no real relief in the way of precipitation isyet in sight.

Primary receipts of wheat were 2.8 million bu vs 3.4 million bu last week and 2.7 million a year ago. When the visible is posted on Monday it will compare with an increase last year of 13,588,000 bu.

Markets were generally firm and there is little pressure from any source. The late forecast for Iowa looks for widely scattered thundershowers Saturday, mostly south and north sections, and also, cooler temperatures. Uneasiness over

the Suez Canal situation probably prompted some buying.

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CHICAGO, 4

July 30, 1956

Egyptian seizure of the Suez Canal may change the course of history considerably, but at the same time we see nothing in the situation that is warlike, although to say the least, it may bring about complications between that country and Britain, the U. S. and France. The building of that Canal was one of the great advances of civilization and was a record of man's struggle in overcoming the forces of nature by hard work. Those who visualized the progress that could be accomplished were searching for ways of doing things under a system of free enterprise rather than by leaning on government crutches. This project involved many risks of one kind or another. It necessitated the issuance of a large amount of securities, which proved to be a success. It took men with foresight and courage to engage in the venture.. As just stated, the investors realized good profits from this huge enterprise, and in fact, the British government when Disraeli was Premier conceived the idea of buying Suez Canal shares in the speculative markets of London and Paris, until a majority interest had been acquired. This led eventually to the British occupation of Egypt. It was one speculation which was applauded by the whole world but which never could have taken place had there been in force great restrictions on speculation. What the outcome will be in view of the present turn of events is difficult to state at this time. President Eisenhower has been in touch with Secretary Dulles, and we believe in the end that Egypt will suffer from the result of trade repercussions that might ensue.

Our market, however, which had responded to the news on Friday was more settled this morning, and apparently traders turned their attention to other matters. Weather had been on the cool side over the week-end and there had been a fair amount of rain over the corn belt, including some showers in Iowa. We are advised that there has b een some deterioration to the corn crop, but it started off with almost complete optimism being expressed, with the possible exception of a few dry areas in Iowa; therefore, any turn in crop conditions almost had to be for the worse. Chances are that the Iowa figures will be reduced when the next report is issued, but those for Illinois may show enhancement. There are some districts in Nebraska, Oklahoma, etc., where possibly deterioration may also have occurred. In any case there were some reactions following this sharp upturn of corn futures last Friday. Beans also opened lower despite some reports of soybean sales to the Continent for October-November-December shipment.

In Canada crops continue to make excellent progress in Manitoba under ideal weather conditions, according to Sanford Evans. Crops are generally in good shape in Saskatchewan, although rain is still needed in the western district. As for Alberta the past week has been ideal and excellent progress is reported. Rainfall was light last week and crops are now drawing heavily on moisture reserves and rain will be required at many points if heads are to fill well.

According to Broomhall, the wheat acreage in Argentina had been increased 12%, whereas an official estimate had indicated a very small reduction. Another development of importance was that an arrangement was entered into to ship 800,000 metric tons wheat this season to Brazil. A crop of 200 million bu or slightly less would furnish a small surplus, but as the crop is getting off to a goodstart, a favorable growing season could swell that total considerably.

Chicago wheat stocks showed a good increase for the week, with a total of 13 million bu here. Corn stocks were cut 416,000 bu to 12.6 million, oats increased 3.3 million bu, local rye stocks, due to imports, increased 719,000 bu to a total of 2.3 million bu. There was a decrease of 852,000 bu in the bean stocks, leaving 5 million bu here.

The wheat market after early weakness turned rather strong. There was some professional buying, and very little pressure. It is a fact, however, that a number of wheat buyers have been surprised at the quantities which they were able to purchase this season, probably due to the fact that the price is much closer to the loan than in other years, but speculative trade is anticipating the new export program that will start in September. Flour business over the weekend was exceedingly small. New-crop futures of corn were weak, but the September delivery was comparatively firm on a statement by USDA that on July 1st over two-thirds of the total corn stocks were under government control. The remaining stocks at that time accounting for 553 million bu, were 120 million bu smaller than the same stocks a year ago. It is estimated that total requirements for domestic use, export and minimum free carry-over stocks will be 702 million bu, and thus they say that we may have to draw upon some of the accumulated reserves. Beans were rather weak, and on the whole the

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CHICAGO, 4 July 31, 1956.

The Agricultural Act of 1956 passed by Congress late in May contains a number of provisions, having an important bearing on corn and other feed crops, and we think it apropos to review briefly some of these provisions. The Act created the Soil Bank, which consists of two major programs; first, the Acreage Reserve Program, and second, the Conservation Reserve Program. The Acreage Reserve Program provides for payments to producers of basic crops for reducing the acreage of these crops below specified levels, while the Conservation Reserve Program provides for payments to producers for taking land out of cultivating crops and devoting it to soil conserving programs. The Act brings into effect in the 1956 commercial area a soil bank base acreage in addition to the existing corn acreage allotments. The soil bank corn base acreage is 51 million acres for 1956, and for each year an Acreage Reserve Program is in effect. This is 17.8% above the 1956 allotment of slightly over 43 million acres.

The price support for the 1956 corn crop to cooperating producers in the commercial area has been set at a national average rate of not less than $1.50 a bu. The support to non-cooperators in the same area, those who do not meet acreage requirements, will be based on a national average rate of not less than $1.25 a bu Farmers in the commercial corn areas may qualify for the maximum price support for corn by complying with their corn acreage allotments or complying with the Soil Bank price-support requirements. Under the Soil Bank a corn producer must place an acreage equal to at least 15% of his soil bank base in either the Acreage Reserve or the Conservation Reserve, and must not exceed the farm soil bank corn base to qualify for maximum price support.

After 1956 price support for corn in the commercial areas would depend on the outcome of the referendum to be conducted not later than December, 15, 1956 to determine whether producers favor present acreages, with price support at a level determined by the Secretary of Agriculture, or whether producers favor acreage allotments, with price support at 75 to 90% of parity. If producers vote in favor of acreage allotments, these would be in effect for purposes of the Acreage Reserve Program. Producers would have to comply with acreage allotments but would not have to participate in the Soil Bank in order to be eligible for maximum support. The 1956 Act also provided for price supports for 1956 crops of oats, barley, and sorghum grains at 76% of the May 1st parity price. In 1957, if price support is made available for non-compliance corn in the commercial area, price support shall also be made available for 1957 crops of oats, barley, and sorghum grains, as well as non-commercial area corn production at not less than 70% of parity at the beginning of the marketing year.

The Acreage Reserve Program for basic crops is provided for in the Soil Bank Act for the period 1956 through 1959. Under the Conservation Reserve Program, the Secretary is authorized to enter into contracts with producers for a minimum period of 3 years and a maximum period of 10 years (15 years in the case of tree cover). The Act also authorizes the Secretary to appoint a Surplus Disposal Administrator, and provides for additional funds and authority for disposing of surplus feed grains and other commodities through increased exports and domestic use.

Overnight there was quite heavy rainfall in Iowa, So. Dakota and Nebraska, which undoubtedly was very welcome in those areas. When our market opened it was influenced slightly by these weather developments, but there was also some buying on news of the Chinese invasion of Burma. There was some easing of international tension later when it was reported that President Nassar of Egypt had declared that freedom of navigation in the Suez Canal will be guaranteed. In export circles it was reported that parcels of soybeans had been worked to France and Holland, and also that Germany had purchased several thousand tons. The U K bought parcels of corn and Canadian feed barley.

The visible supply posted late yesterday showed an increase in wheat of 14,583,000 bu, giving us total stocks of 389.7 million, or 19.5 million bu more than last year. Beans decreased 1.7 million bu, making total supplies 6.6 million bu, or 4.5 million more than the previous year. Primary receipts of wheat today were 5 million bu compared to 4 million last week and about 3 million a year ago. So far this week Kansas City and Minneapolis wheat stocks show a decrease of 64,000 bu.

Markets were mostly firm, although the volume of trading appeared to be rather light. The stock market was quite strong.

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CHICAGO, 4 August 1, 1956

While it has been a wonderful season for moisture, there is one state that did not share fully the favorable conditions that were enjoyed elsewhere. We are referring, of course, to Iowa and to parts of Nebraska, where the weekly crop and weather bulletin points to irreparable damage before the last moisture arrived. Precipitation in Iowa was quite irregular. For example, last week there was a triangle within the state where rainfall totaled from nearly 1 inch to over 2 1/2 inches, and they had a small area where actually 4 inches fell, but the condition was spotted. While the crop appears to be progressing favorably, there are areas which have lacked rain and are showing the effects of the moisture deficiency, with many fields reported damaged, and actually some fields that are already too far gone to be benefited by any improvement that takes place from this time onward. To offset this situation, we have the fine and actually glowing prospect in the territory east of the Mississippi. In Illinois the condition of both corn and soybeans remains excellent, although the weekly crop bulletin for this state calls attention to the fact that many fields of corn are entering the critical stage when moisture will be needed for proper filling of ears. Approximately 90% of the corn has tasselled, and about 85% of the soybean acreage has started to bloom and about 60% has started to pod. This writer flew from St. Louis to Chicago late yesterday and witnessed a stormy weather area, so that overnight rains present an entirely different picture from the one we had a year ago when there was a drought and when we were hoping and waiting for rain continually, which failed to occur. While fair weather will probably prevail over the corn belt tomorrow, showers are likely again Thursday night or Friday. Thus there is no reason for apprehension, and even the non-commercial areas, which do not account for the heavy acreages, are still reported to be doing well. There will be a private estimate of crops on Friday, and the government report a little later in the month.

In Europe, the main complaint is stormy weather and too much rain, which has caused lodging of crops in many districts. Clear weather is now wanted for maturing grain. The U. K. is gradually clearing after the heavy deluge which flattened the oat and barley crops, but wheat withstood the elements fairly well. It is likewise clearing in France after heavy downpours, but these rains did not appear to have caused serious effects. It is now thought that France may have a wheat crop of 224 million bu minimum, which by all standards is small, but substantially more than the official forecast. Last year's crop was 377 million bu. It has also cleared in Western Germany after a period of unwanted rains, which also caused lodging.

The supply of feed grains and other concentrates for the coming season will total around 195 million tons based on July prospects. This is within 1% of the record supply last year and 22 million tons above the 1949-53 average. Consequently, supplies should be sufficient to provide for all requirements without materially reducing carryover stocks from the high level of this year. While the oat crop is far below standard, production of the four feed grains should total 124 million tons, which would be 7 million less than in 1955. On the other hand the carryover is expected to total around 5 million tons more than the record of 39 million tons last year. USDA estimates that supplies of by-product feeds probably will be about the same, and even though wheat feeding is expected to continue, it will probably do so at a currently low level.

Primary receipts of wheat amounted to 2.6 million bu, which was a little more than last week, and compared with 1.8 million bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 171,000 bu.

Trade was not particularly heavy, but there was some selling of corn and beans, due to rains and the fine crop outlook. September beans were relatively a little stronger than the deferred. There seemed to be some selling on minor bulges. This had its effect on wheat, but not until after there had been a show of strength, and the fact that there is more cash wheat coming to Chicago than had been anticipated was probably a factor. Rye prices were down considerably in sympathy with the sharp break at Winnipeg. There may have been some selling here against purchases there.

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CHICAGO, 4

August 2, 1956

Since 1940, total net income from agriculture has risen from $6.3 billion to nearly $16 billion, or a 2 1/2-fold improvement. This accounts for some of the inflationary aspects in our living because of higher food prices, but the farmer does not keep all the money he receives from the sale of his products after deducting various expenses of one kind or another, for there is the matter of interest on farm mortgages amounting to $410 million. There is an item of rent paid to non-farm landlords, which amounts to somewhat over a billion dollars, and lastly, there is the item of total farm wages, some of which is paid to members of the family, but which amounts to $2 3/4 billion. Thus, as we have pointed out in previous letters, total net income on farm operations last year was $11.6 billion, which is quite a drop from 1947, but which, nevertheless, compares with only $4 1/2 billion in 1940. It is somewhat surprising when these figures are all analyzed to note that while production expenses amount to about $21.5 billion, this includes only $2.75 billion in farm wages, and the balance apparently goes for mechanical equipment of various kinds and other expenditures, which have risen tremendously, and which in 1940 were only $6.6 billion.

While it is possible to improve the status of the farmer to some extent by increased price of products, it must be clear that unless we are going to have another inflation spiral, the farmer can probably serve himself best if he practices certain economies at home, although in the field of labor this does not seem very likely, as labor costs are only a small percentage of total production expenditures. Therefore, it would seem to us that to attain greater efficiency, it would still mean better utilization of farm equipment and possibly a continuation toward larger farms in order to bring down the overhead of acreage unit production. In other words, what we are trying to say is that many farmers with the same amount of machinery and equipment that they are utilizing at the present time could probably take care of more acres without materially increasing their expense account. But, of course, we realize, by the same token, that this is a drawback to the small family farm which formerly prospered when most of the work was done by horse and mule. It is, however, no different in a comparative way from the automation which has figured so largely in our manufacturing plants and has made competition for smaller industries more difficult.

Before our market opened there had been very few rains reported overnight, but the weather map is quite unsettled, and rather general precipitation is expected tomorrow, which had the effect of giving us lower prices for corn and beans, and it was difficult for some of the other grains to ignore this influence. We were also told that 500,000 bu oats was shipped from Canada to Buffalo yesterday, while export business from here was rather quiet. During the week, however, we shipped 8.8 million bu wheat and flour, which brings the total since July 1st to 37 million bu vs. 25 3/4 million a year ago.

France, which will probably be a net importer this season, has shipped a total of 74 1/2 million bu wheat from August a year ago through May compared with 83 3/4 million bu for the twelve months a year earlier.

U. S. corn exports for the week are 1.5 million bu, making a total of 94 1/2 million so far this season vs. 70 3/4 million last year.

Primary receipts of wheat amounted to 2,634,000 bu which compared with a little more than 3 million bu a week ago, and 2,275,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 198,000 bu.

There was nothing very important or exciting in markets. Beans and corn were most affected by favorable weather, and our own forecaster looks for considerable moisture again by tomorrow, which, of course, places some pessimism on markets. Even wheat was influenced, despite the fact that there is not much pressure. Nevertheless, we might have as much as 15 million bu free wheat here before we finish, and with fine prospects in Canada as well, buyers seem to be a little bit hesitant in taking the constructive side. Flour demand was very slow, and gave no encouragment to holders. There was further weakness in Canadian rye, which has been the main reason for declines here in Chicago lately. Oats were a shade lower, but there was no feature to that cereal, and the volume of business has slowed down, although there are still a number of people who have confidence that the small crop may give us a higher market later on.

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CHICAGO, 4 August 3, 1956

Shortly after the opening of the market this morning, we had Galvin's August figures on crop production, and there were no significant changes in wheat, with the yields for the winter crop almost the same as those given by the government last month, but indicated production of spring wheat was increased by about 12 1/2 million bu. In his comment the crop expert spoke of much higher yields than anticipated in the central soft red winter wheat states. This has already been reflected in the market with the movement to Chicago heavier than had been expected, although part of this was due to the fact that prices had been closer to the loan level than in any of the previous years. Corn production was given at 3,266 million bu, or the same as was officially recognized by the government in July. We are wondering, however, if cognizance was taken of the improvement in Iowa since possibly the figures were compiled. Galvin did note the excellent progress in practically all states east of the Mississippi River. The oat crop, which had been estimated at only 1,143 million bu by the government last month, was increased to 1,204 million bu, which is still a small crop, particularly when we look at the ten-year average of 1,327 million bu in the period, 1945-54, and last year's crop, which totaled nearly 1 1/2 billion bu. There was no particular surprise in the production figures for beans, which made the prospective crop 459 million bu, although the market moved lower after the report was issued, as this would be an increase of 88 million bu over last year's crop, which had been the banner year up to that time. Thus we are almost assured of a high figure yield since weather has been almost perfect for crop development, and even in Iowa conditions are relatively good, despite the drought and high temperatures during July. The same is true of Nebraska and South Dakota. The soybean acreage for all purposes this year will reach a new peak and should show an increase of 11% above last year's previous record.

Before our market opened there was not too much to guide it. There was a fair amount of moisture forecast for the next five days, but our own weather man believes that precipitation will occur mostly over the northwest territory. Temperatures up there will be somewhat higher. Chances are that there will be some showers over northern Iowa and Nebraska and warmer over the week-end.

It seems that there is some hesitancy developing in corn on the theory that a good many farmers will receive a loan of $1.50 a bu, while practically all farmers will be able to get a support of $1.25, and thus pressure at the moment has subsided, particularly as old cash corn is still bringing big prices as a result of the large quantities that are impounded, and consequently, supplies on the free market are relatively small.

In today's report the corn production in Illinois was raised to 542 million bu, while Iowa's production was decreased to 479 million bu. It is not very often that our state takes this leadership. The bad spots during the month were Iowa and Nebraska, where monthly losses amounted to 89 million, but the increases for Illinois, Indiana, Minnesota, and South Dakota were 71 million bu. As stated earlier the net results were practically the same as last month's official figures. If the Illinois bean crop of 121.3 million bu is borne out, this state will surge far ahead of any other, and our production will be about 25% of the total.

Primary receipts of wheat amounted to 2.7 million bu which was just slightly less than last week, and compared with 2.3 million bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 856,000 bu, the shrinkage was all in the Northwest. When the visible supply is posted on Monday it will compare with an increase last season of 2.4 million bu.

Markets were extremely quiet, and there was no great feature. This was probably for the reason that there were no surprises shown in the crop estimates. Some had thought that corn would make a better showing, and it still may before the final count is taken. The same is true for beans unless we should get adverse weather. As far as wheat is concerned, it has lost some of its friends temporarily, and with the milling demand so slow there is no particular incentive to buy at the moment. Cash corn continues to bring good prices, but the spread between September and December narrowed, and likewise in beans the September future lost ground on November.

The Agriculture Department reported that nearly 500,000 farmers have engaged this season in the Soil Bank Program. They have taken out of production 10.7 million acres of crop land. For this they have been paid $225 million in government funds. Some of this land apparently would not have produced well, and it paid farmers better not to raise crops, and they accepted the alternative which was more advantageous. Next year we are convinced that with more time the

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CHICAGO, 4

August 6, 1956

Before our market opened this morning, there was some weakness in Oil Company stocks, which had large foreign holdings. This was due to the situation in the Middle East, with problems becoming more complicated because of the fact that there were some naval maneuvers toward the Suez Canal zone. It was reported that ten ships of the U. S. 6th Fleet had sailed from Naples into the Mediterranean Sea, and while the destination was not disclosed, it all seemed to be in connection with these problems. Some opinion in Washington leans to the belief that Britain and France stand ready to fight if Nassar closes the Canal, and that, of course, has greater implications as it might draw us into the fray. It may have had a little effect on our market, although the buying movement in corn and in beans, which had started on Friday, continued this morning, and opening prices were somewhat higher. Wheat also rallied a little following liquidation last week.

Others news was not too important. There had been some rain over the weekend in our Northwest, and likewise a few showers were reported Southwest, but they were isolated and not heavy except possibly for half an inch of rain in Amarillo, Texas, and about the same at Norton, Kansas. There was also approximately one-tenth inch of rain at Topeka, and according to the five-day forecast we may have some showers toward the end of the week. Meanwhile temperatures had been rather high in the winter wheat districts, but there has been a decided fall in northern portions of the Central States since Saturday. Temperatures are now close to normal for the season.

Our exports of wheat and flour are running a little ahead of last year, and the total for the season just closed amounted to 336 million bu as against 274 million in the preceding season. Some people figure that because of the poorer outlook in Europe we may enjoy even a better export program in the 1956-57 crop-year, which would, of course, be helpful, particularly since the business starting next month will be handled through private trade interests except for barter arrangements and those quantities of wheat and flour which will be used for foreign famine and various relief programs. We must also look forward a year to the time when the Soil Bank will be more effective than at present. It is true that 10.7 million acres have been withdrawn this season from production, but the cutback will make only a small dent in crop production, and some of the retired land was placed in the bank because it otherwise would have produced a rather insignificant crop. There is always the chance under this program for farmers to deposit their poorest land in order to obtain the benefits which the government accord producers. The truth is that American farmers have increased efficiency through the use of modern machinery, better methods of cultivation, and the use of better seed, together with improved fertilizers and insecticides so that we are able to obtain one-third more from the soil than was produced on the same acres some years back. The Assistant Secretary of Agriculture, recently speaking before the Kansas Wheat Improvement Association, emphasized this point, and said that our efficiency has increased and made more immediate the job of learning to live with our abundance.

Australia is expected to have a huge carryover reserve of wheat, probably the largest ever held by that country, with some preliminary forecasts indicating that it may be around 100 million bu. This is in sharp contrast to the situation in Argentina, where the carryover from the last crop will be very modest and where actually some of the old wheat has gone out of condition due to the fact that it was stored in bags for too long a period. The new crop, which is progressing favorably, may be gathered late unless better growing conditions prevail.

In the Chicago wheat stocks there was an increase of 1 1/2 million bu, which makes the total 14.5 million bu, corn decreased to 12 1/4 million bu, and oats increased, with stocks now up to 5 million bu. Rye stocks improved due to imports, and we have nearly 3 million bu here. Beans declined about 1 million bu, leaving 4.1 million bu here.

Trade was not particularly heavy, but there was some short covering due to political news, but most of the strength was in beans, rye and wheat. Flour business was almost at a standsill over the weekend and furnished no encouragement. Today was the first day for trading in July contracts, and July wheat is selling at a big discount under the May, which, in our opinion, may not be warranted if the Soil Bank takes a good many acres out of production next season.

Just at about the close of the market the U S visible was posted. It showed an increase of 2 1/2 million bu in wheat, corn decreased 1 1/4 million bu, and oats increased 3 3/4 million bu. There was 1/2 million bu increase in rye and soybeans

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CHICAGO, 4

August 7, 1956

Barter trading on international markets has probably grown to an extent that few living people have witnessed in their day. In our opinion it is a step backward, and in the long run will not accomplish the most efficient economic results. The Indian in primative times traded the things he grew for commodities that he needed, but as one prominent economist points out, money is perhaps the greatest economic invention of all time. It lubricates the vast economic mechanism of trade, which could not operate without it. It allows a deal to be made between persons unknown to each other because of distance or some other reason. The producer does not know -- nor does he care, to whom his product goes for consumption. Neither does he know nor care who produced the item he consumes or uses. It is all done behind the curtain of money exchanges in a trading economy. The only person who need be contacted is the one person at the point of trading contact, and even this can be quite impersonal. That is why money is such a great invention. That is why it serves so efficiently as a lubricant for exchanging the specialties of production all over the world, between widely separated persons in remote locations.

Before our market opened this morning, the London market was steady and securities at New York also showed a little firmer tendency. This was the result of the Suez situation, which, while far from settled, has not deteriorated further, and it is still hoped that the conference which has been called by the Western Powers may bring some results and may tend to allieviate the tension which now exists. The Egyptian Cabinet met for several hours last night, but there is no word from that body as to whether they will meet with other nations in an effort to reconcile some of the existing differences. They have until mid-August to make their decision.

Weather in this country is not altogether favorable, as temperatures have been very high over most southwestern states and precipitation on the whole was unimportant, although there were some showers in South Dakota, Nebraska, Iowa, and Kansas during the past 24 hours. It looks as though there would be cloudy skies with a few widely scattered showers Northwest and a few isolated thunderstorms Southwest, but no general break-up from the heat wave. Elsewhere temperatures are about normal for the season and somewhat below in our particular section of the country. According to the Peavey report the important spring wheat and durum producing areas probably have generally benefited by the rains. Harvest is nearing a close throughout South Dakota and will be under way in even the most northern counties, with the advent of a few days of dry weather. Yields have been up to expectation and up until now at least quality of the new crop has been good. Corn and beans in the Northwest continue to look very good . Generally speaking the corn crop is about made by August 8th and hot weather after that rarely does much damage. Last year, for example, the drought and high temperatures came during July, which took a heavy toll from the crop but had this adverse weather come a month later, we doubt if the reduction in yields would have been heavy. Thus it is fair to assume that when the government report is issued next Friday, it will about tell the story, and only an early frost thereafter could do a great deal of harm.

Primary receipts of wheat were fairly substantial and amounted to 4.6 million bu compared with a little over 5 million bu last week and only 2.2 million bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 491,000 bu, the decrease being entirely at Minneapolis. We find that of the commercial wheat stocks here in Chicago of 14.5 million that about 13 1/2 million bu consists of free wheat, but of the corn stocks amounting to 12.2 million bu there is only about 2.2 million bu free, the rest being owned by CCC or held under loan.

Some of the people who became apprehensive yesterday when the Suez news was at its worst, felt that it had blown over for the time being, and there was selling. This resulted in a reaction in wheat, while corn prices were some lower. September beans, were relatively firm, and this may be due to the fact that Chicago stocks have been going down and are now a little over 4 million bu. The strong oil market gave us the final rally in beans. Milling demand, with a few exceptions, is still quiet and political ~~even~~ news yesterday had very little influence in encouraging bakers to take on larger supplies.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 August 8, 1956

Before our grain market opened this morning, securities were higher, and international oil stocks had also recovered from the sharp break of Monday, indicating that there is less tension now in the Middle East. The fact that Britain and the U. S. sent ships there to protect our interests in the event of a conflagration probably had more to do with the changed psychology of Egypt and the Arabs than anything that might have been said in parliamentary sessions. We understand that Nasser will explain his position to the world in a broadcast on Sunday, and it is generally thought likely that he may be more moderate in his views. In any case the militant aspects have for the time being disappeared.

Here at home there was not a great deal of news. It seems that high temperatures continue in Kansas and other parts of the Southwest. There was one report that the bean crop in Kansas looked very bad as the result of the heat wave, which has continued now for several weeks, but we note that last year's crop was only 3 million bu; so this is a rather unimportant factor and more attention should be paid to the fine prospects in Illinois and other central states. The weekly crop report for Illinois speaks of the unusually favorable soil moisture conditions, which are beneficial for both soybean and corn crops. Close to 90% of the soybean crop is blooming compared with just 80% for last year and the average. Podding is also progressing somewhat ahead of normal, with over 70% of the crop beginning to pod. This compares with 58% a year ago and the five-year average of 60%. We mention this at some length as Illinois will be the leading soybean state this season with a prospective yield of 120 million bu, and we think this will be borne out by the official government report on Friday.

The five-day forecast is optimistic with respect to moisture and for Minnesota and Iowa temperatures will be about normal, and they anticipate 1 to 3 inches rain for those states. The overnight weather showed some scattered showers over portions of the corn belt, and some rather heavy rainfall over portions of Nebraska and the Northwest, which encouraged some selling here in the early trade.

We note that FHA has expanded its credit services and by the middle of next month all of the 1,500 county offices will be ready to process applications under the new regulations, which are intended primarily for family-type farms, but will help other producers meet drought and other difficulties over which farm families have no control. Loans are to be made to refinance existing debts and will be available until June 30, 1959. In some cases the borrower, as for example against real estate development, will have up to 40 years to make repayment and interest charges will be at the rate of 4 1/2%, but will vary according to the type of loan made. Only applicants will be served who are unable to obtain adequate credit from other sources, and only farmers will be granted loans where their background has been dependable and where historically they have resided on farms and depended on farm income for their livelihood.

With the early selling that came into the pit, markets ran into stop-loss orders and local professionals were on top of the market, but other than what we have stated above there was no particular news. In Canada there were a few light showers over the west, with Saskatchewan and Manitoba mostly cloudy this morning. Our friends up there tell us that warm, dry weather and plenty of sunshine is now needed to bring their crops to maturity.

Primary receipts of wheat, with Peoria missing, amounted to 2.2 million bu compared with 2.6 million bu last week, and nearly 2 million bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 689 million bu.

There was a good deal of local selling in the pits early, and this was especially true of wheat where prices declined, but later on short-covering set in and we had good recoveries. There was no particular news, and as a matter of fact, flour business is almost flat, and there is no encouragement coming from that source. The size of the crop is already known, and no surprises are expected in the next government figure. Corn held reasonably well considering that many people in the commercial areas are claiming that the crop never looked better, but, of course, we have had fairly sharp declines. The Chicago CCC office was offering some corn for export on a competitive bid basis, but we did not hear of any business that was put through, nor did it affect the market. Beans were weak and this resulted mainly from the fact that oil, which had been so strong yesterday, lost about half of the gain. today. A bearish cotton report also led to a little pessimism.

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CHICAGO, 4 August 9, 1956

The oat crop in July was estimated at only 1,144 million bu, which was the smallest crop since 1943. Chances are when the new figures are published tomorrow there will be some increase, but at any rate based on the amount last estimated, supplies this season will be only 1,491 million bu, which is a reduction of 311 million bu from supplies of a year ago. Despite this fact, another big supply of feed grains and other concentrates is in sight, with the total probably reaching a figure of 195 million tons. This would be within 1% of the record supply last year, and 13% above the 1949-53 average. A larger carryover offsets to some extent the smaller production of feed grains indicated for this year's production.

Corn has remained in mostly good to excellent condition east of the Great Plains except in some southern areas, where it has been too dry, but there have been declines in the lower Great Plains due to continued heat and drought. Prospects are still particularly good in most of the main belt, where above normal temperatures last week favored rapid growth. Heavy rains have improved the outlook in Iowa, except in central and west central sections where rains were lighter and further deterioration occurred in the drier spots. Good rains also benefited corn in the Dakotas and Colorado. It still remains very hot in the Southwest, with a chance for some moderation of temperatures. Meanwhile, there have been some scattered but isolated rains, and there was moisture overnight also in central Illinois and parts of Iowa.

Late yesterday USDA gave us the figures on wheat impoundings through mid-July. It showed that nearly 44 million bu of wheat had been placed under loan, and this loomed like a very large figure compared with only 5.7 million bu that had been reported a year ago at the same date. The increase this season is about 29 million bu since the middle of June. The present figure compares with 39.5 million bu that was placed under loan two years ago. Last season we had a total of 318 million bu of wheat impounded, while in 1954, 431 million bu was impounded. Of course, last year's crop was a smaller one. It remains to be seen what will happen this year, particularly with prices now relatively high as compared with the loan rate. Furthermore, we shall have additional quantities of wheat exported from free supplies, which might also make a difference.

We have not commented much lately on the rye situation, and assume that the 1956 crop probably will not be increased much above the 22 million bu estimate that was made a month ago. A crop of that size would compare with 29.7 million bu harvested in 1955, and 21.6 million, the 10-year average. The reduction from last season reflects unfavorable conditions under which rye started last fall followed by spring and summer droughts. Carryover stocks of 16.3 million bu were only slightly below last year, and the second largest since 1944. Nevertheless, total supplies will be about 17% below last season on basis of current indications of production and carryover stocks. The disappearance of rye in the season just closed amounted to 33.1 million bu, and was the largest since the 1945 season. It must also be considered that a large percentage of the reserve stock was under government domination. 250,000 bu of rye cleared for South Chicago last night from Canada.

U. S. shipments of wheat and flour the past week, as estimated by Broomhall, were 7.5 million bu, and the total since July 1st has amounted to 45.7 million bu compared with only 32.7 million bu a year ago. Our corn shipments now total 95.1 million bu since October 1st vs. 73.2 million last year.

The primary run of wheat only amounted to 2.2 million bu, which was slightly larger than last week, and compared with 2.6 million bu last week. Kansas City and Minneapolis stocks so far this week show a total decrease of 939,000 bu.

The wheat market was a little hesitant at the start, and it was figured that the technical position of the market might have been a little weaker due to short covering. There is some talk, although unconfirmed, that Germany might be in the market for some of our free supplies, and that the new export program may become effective prior to September 4th. We are unable to confirm these statements. In any case, there was some additional buying today, and wheat had a further rally, with outside markets lagging. Milling demand is still on the quiet side. Some scattered buying orders ran the market into stop-loss orders, with offerings rather light on the way up. The strength in wheat naturally influenced other grains. Corn had been rather indifferent, September losing ground steadily on the new-crop months, but the country is still offering very sparingly. Beans were hesitant for a while, but

finally improved when other grains showed signs of strength. The oil market was rather indifferent and gave traders no encouragement. UHLMANN GRAIN CO.

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CHICAGO, 4 August 10, 1956

Exports of our agricultural commodities in the crop year just closed were about 10% ahead of the year before. It is estimated that $3,475 million was involved in sales abroad, but if we would measure this in quantity rather than in dollars, the increase would be about 13%. Exclusive of our cotton sales, this business was at a 30-year high. With an excellent showing of this kind, it behooves one to see what various programs were pursued to bring about such results. First of all, steps were taken all along the line to assure foreign buyers that neither lack of financing nor high prices would act as a deterrent to their doing business with us. We have in almost all cases remained competitive insofar as price was concerned, and arrangements were also made with foreign countries whereby they could purchase either with their currencies or their strategic goods. Then we adopted the emergency relief grants, and there were foreign welfare donations, while the Export-Import Bank made loans. In the handling of business, it should be noted that barter deals accounted for about 8% of our exports; thus the total volume of business in this field amounted to $264 million compared with $125 million the year before. These barter arrangements in wheat accounted for 16% of all the shipments that were made last season. In corn, actually 44% was handled in this manner. In barley the figure was 37% and oats 44%. Consequently, it can be seen that this has become a big activity, as we dealt with 35 different countries during the past two years. The principal receivers of barter commodities have been The Netherlands, Japan, West Germany, Turkey, and Belgium.

In our program to help the needy, we gave away surplus farm products amounting to about $90 million. Besides this, through the various relief agencies CCC made donations to the American Red Cross, Children's Emergency Funds, etc., which accounted for an additional $175 million. The Export-Import Bank financed cotton shipments to Japan and Australia totaling $62 million. Also, we subsidized our foreign shipments so that practically every wheat cargo that went abroad cost the taxpayer about $250,000 since prices at home had been supported. It is not surprising, therefore, in view of the above that our wheat exports were the largest in four years, having totaled 340 million bu, including flour. Besides all of the above wheat was added to the list of surplus commodities eligible for donation to private U. S. Welfare Agencies, who in turn made distribution to needy persons overseas. This is in addition to the other programs cited above.

There was some nice moisture overnight in Kansas, with fair rains also in Nebraska, and the weather map looks quite unsettled, so that we may have considerable rainfall over the week-end except possibly in our Northwest. Reports coming to us from the main corn and bean belts are optimistic, and we would be surprised if the government report this afternoon would cut production from the July figures, despite some drought and deterioration in the border states where conditions have been unsatisfactory.

European weather is mixed. It has now cleared in Western Germany and in France, and a high barometric pressure has developed, which should assist harvesting operations. It is also clear in the U. K. for about the first time since July 1st, but Italy is suffering from a severe heat wave, which may damage corn and other late crops.

Primary receipts of wheat were a little heavier and amounted to 2 1/2 million bu which compared with 2.7 million bu last week and 1.9 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 1 1/4 million bu. When the visible supply of wheat is posted on Monday it will compare with an increase a year ago of 1 1/4 million bu.

Trade was not particularly heavy, but there was some buying in the various pits, probably occasioned by the uncertainty surrounding the Suez Canal situation. International oil stocks were sharply lower, and this may have had something to do with the buying that came into corn and beans, with probably some evening up of commitments prior to the weekend.

Wheat prices were also higher after an early dip. There continues to be talk that the new export program may permit sales of wheat abroad prior to September 4th, just so long as shipments are not made until after that date. This may mean that some of the German orders now pending will constitute free wheat rather than government holdings. There was no flour business of any consequence, despite the sharp bulge in the futures market yesterday. September corn keeps losing ground on the new-crop months, even though local stocks here are small, and more corn is still to go out.

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CHICAGO, 4

August 13, 1956

After the close of the market on Friday, we had the government report, and the corn crop was estimated at 3,144 million bu, which was about 3% less than last year but 2% more than average. A cut of about 124 million bu for the month was surprising to a good many traders, but as we analyze the figure, we find that the big reductions were in Iowa and Nebraska, those two States having gone back by about 167 million bu. This more than offset the improvement in Illinois, Indiana, and Ohio. There were a number of other States that showed deterioration during the month where deficient soil moisture failed to furnish needed supplements to summer rainfall. On the other hand soybeans fared somewhat better than corn, with the crop on the uptrend in most sections. The Illinois crop is outstanding with near-record yields expected on the expanded acreage. Altogether the soybean crop, which is estimated at 443 million bu, exceeds last year's previous high by nearly one-fifth. As just stated Illinois is the outstanding State this season and should produce 121 million bu, with Minnesota coming second, and Iowa third, but the two latter States will each raise less than half as much as we will here in Illinois.

The wheat crop was estimated at 939 million bu, which was nearly the same as last year but about 18% less than the 1945-54 average. The heavy reduction seems to be in oats, with an estimated crop of 1,140 million bu, which is 24% less than last year's record and 14% less than average. Some people had expected there would be an increase over the July figure but in that respect there was disappointment. This crop profited somewhat by the cool weather and filled well as maturity was slow but it, like corn, suffered relatively poor yields in Nebraska, South Dakota, Kansas, and in a number of other districts as the result of adverse weather. In the production estimates that were given for August, the government made allowances for such changes as occurred as a result of the Soil Bank Program. Of course, there may be some minor changes, which may not be caught until the December annual summary is published.

Before our market opened this morning we had reports of heavy rains over many sections of the country. Precipitation was particularly heavy over the corn belt, but there was also some rain in eastern Kansas and Nebraska, and portions of the Northwest. The weather map still seems to be unsettled and we should have showers and thunderstorms again tonight or Tuesday, but insofar as corn is concerned, weather is not too important a factor, although in Kansas, where it had been so very dry, the moisture is more than welcome. In Canada rainfall during the past week varied, according to the reporting stations. There was hardly any in some sections to as much as 3 inches in parts of central Alberta. Rust does not seem to constitute a major threat this year, and on the whole crop development seems to be satisfactory, although a period of warm, dry weather would be welcome.

The Department announced some additional details on the wheat export program. After September 4th, the wheat export payments in cash under IWA will be discontinued. Such payments will be in the form of wheat from CCC stocks, but the grain will be given to the exporter at the seaboard rather than at interior points. Daily export rates will continue to be announced. The certificates which will be issued only after the wheat has been exported will be transferable. Changes in the wheat export operation do not affect the flour export program.

Chicago wheat stocks showed an increase of 615,000 bu, raising the total supply here to 15.1 million bu. Corn decreased 314,000 bu, leaving a little less than 12 million bu in the local stock. Oats increased nearly 1 million bu, to a total of practically 6 million bu. Rye increased 523,000 bu due to imports, and the total is nearly 3 1/2 million bu. There was a decrease in bean stocks of 657,000 bu, cutting the stock to 3.4 million bu.

Markets were all very strong, and with the reductions in crop yields this furnished the impetus for some buying, and there was likewise short covering. Rye prices were up sharply, and we find that the total crop and carryover amounts to about 38.2 million bu. If we add to this the likely imports of 3 million bu, it would give us a total supply of about 41 million bu. Last year's disappearance was 33 million bu, and if this is repeated it would cut our reserve stock at the end of the crop year to about 8 million bu. On July 1st CCC held about 10.2 million bu of rye, so the situation could get rather tight. Wheat was a little lower early, but when other grains improved prices ran up. The amount of free corn inChicago is small, and there was a fair amount of buying today by traders and commission houses. Beans also advanced, as many had figured that the crop would be as large as had been privately estimated, and the 17 million bu reduction was a disappointment. Dwind-

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CHICAGO, 4 August 14, 1956

Those men who are held responsible for agricultural programs are concerned mainly with the building up of stocks, which in their opinion seems to be the reason for the depression in agricultural prices. We believe that this was the main influence in attempting a changed program, such as the Soil Bank, which while not regarded as a "cure all" for the ills of agriculture, is at least an attempt to cut down accumulated surpluses, and thus get agriculture back into better balance. In 1952, the wheat carryover was 256 million bu; the next year it had risen to 562 million bu; in 1954 they had an accumulation of 902 million bu, and on July 1st of this year the figure had reached 1,030 million. Corn showed a similar build up -- the carryover in 1952 was 487 million bu; in 1953, 769 million; in 1954, 920 million; in 1955, 1,024 million, and there is an estimated 1,200 million this coming October 1st before the 1956 crop is harvested. The cotton carryover got down to relatively low figures right after Korea. There were 2.8 billion bales in 1952, and then the climb started to 5.6 million bales in 1953; to 9.7 million in 1954; to 11.2 million in 1955, and to an estimated 14.6 million bales the first of this month. Furthermore, it is a fact that world agricultural production, which was down sharply during the war years, has increased steadily now that we have peace. As a result other countries are doing more to meet their own food and fiber needs. There is less demand world-wide for most of our stocks.

In these circumstances it has been felt that the acreage reserve, which is part of the Soil Bank, aims directly at production adjustments for the six basic crops: namely, corn, wheat, cotton, rice, peanuts, and tobacco. Under the acreage reserve program, farmers will be able to reduce production still further and without loss of current income because of lower volume. The special acreage reserve payments assure income protection. They are planned to equal or exceed the probable net profit from farming of those acres which are held out of production in the Reserve. The Department announced late yesterday that September 21st would be the deadline for farmers to sign Soil Bank contracts to reduce acreage of the 1957 crop of winter wheat. Regulations on the other eligible crops, comprising cotton, corn, peanuts, rice, and tobacco, will be issued later. The plan for wheat unlike this year's program will not permit payments to farmers for plowing under wheat or other crops damaged by weather, insects, or other hazards. Farmers may plant as much as they wish initially but must reduce acreage to comply with contracts by specified deadlines. The national acreage payment rates for 1957 crop wheat have already been established at $1.20 a bu, the same as this year. Farmers will earn the basic rate multiplied by normal yield on acreage retired to the Soil Bank. It is hoped that these payments will compensate the farmer for his net income loss in reduced production.

Before our market opened there was not too much to guide it. Overnight weather was mostly clear but the map is unsettled and there is a forecast for rain over the corn belt and for the Southwest. Showers in the spring wheat belt will be mainly along the Canadian border, with cooler temperatures tonight. We had an early report that Denmark had purchased 4,000 tons soybeans for December shipment, and it was also claimed that Egypt had postponed their wheat buying for a week.

The Assistant Secretary of Agriculture, Mr. Marvin L. McLain, in a prepared address at Urbana yesterday, said that soybeans have not faced the problems which have developed for many other commodities. Carryover stocks have not been excessive, and CCC holdings are negligible. All this came about even after U.S. production increased steadily and rapidly from only 193 million bu in 1945 to 371 million bu last season, and there appears to be a prospective crop of 443 million bu this coming season.

Primary receipts of wheat, with Toledo missing, were on the light side, but the trade paid more attention to the fact that there is over 14 million bu of free wheat here in Chicago, and about 5.3 million bu of oats, but the corn stock keeps going down, and there is less than 1 1/2 million bu of free corn in this market, the rest being under government control. This may have had something to do with the relative strength of September corn, which gained on the deferred months, but besides there was considerable short covering.

Markets were mostly lower today; there was some hedging of wheat, and there was also some changing of hedges from September to the more deferred months, which narrowed the spreads. Commercial stock of soybeans declined 657,000 bu during the week, and this may have lent a little strength, at least comparatively to the September future, although generally speaking there were re-

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CHICAGO, 4

August 15, 1956

It looks like another good year for agriculture in Canada. Generally speaking, moisture supplies are adequate to carry crops to maturity, and while prospects are good there is now need for warm and dry weather. The pathologists in that country do not foresee any substantial damage from rust, and on the whole it looks as though the wheat crop would turn out well. The carryover reserve for that country is now established at 524 million bu. This is about 3.3 times the amount consumed domestically in that country, as home usage accounts for about 160 million bu. One may, therefore, conclude that Canada will have to export 364 million bu of wheat reserves before she starts to cut into the supplies that are raised this summer, and that, indeed, presents quite a problem as exports in the season just closed amounted to only 309 million bu. Thus Canada really has a greater problem with only 16 million people in that country consuming bread and not the financial ability to handle problems as we have been able to meet in the U. S. Our carryover of some 1,030 million bu wheat on July 1st constituted a new record, but the bulk of the wheat was in government hands, and it is figured that with the Soil Bank cutting acreage further, we shall start cutting into our surpluses next season.

Secretary Dulles arrived in London early this morning and said that he had flown there in an effort to obtain a peaceful solution to the free, secure, and unhampered use of the Suez Canal. He emphasized "peaceful solution" to quiet the fears of Asian and Middle Eastern nations, which had expressed alarm that Britain and France might use force in tomorrow's Conference, if the 22 nations should fail to reconcile their differences. Thus there was no excitement over that issue.

Crop reports which are coming to hand are generally favorable for soybeans but yet it must be noted that August is often a critical month, and because of the fact that the crop is generally well advanced and probably ahead of last year, it will still require rainfall to maintain the favorable conditions since reserve moisture supplies are low over much of the western and southern areas. Our corn crop continues to fare well over most of the main belt, but the border states, where it has been hot and where abnormally high temperatures prevailed, are still complaining that there may be further losses. September corn seems to have developed a certain amount of tightness owing to the fact that there is only about 1.4 million bu free corn in this market. Even that figure is not completely accurate considering that some fair sales have been made from this market where corn is still to be shipped out. Replenishments are next to nothing as the country is offering sparingly, and from our observations will sell very little until after the next harvest.

Weather was mostly clear overnight but some rain is possible for western Oklahoma and western Texas, and possibly a few showers will occur in the Northwest. If present promise for the soybean crop finds fulfillment, and we have a yield of 443 million bu, it will be 20% above last year's record crop and 75% above the ten-year average of 254 million bu, but as an offset we shall probably have another large export season and a good many people believe that crushings will be as great as the record attained during the last crop-year.

Primary receipts of wheat were 2.9 million bu vs 2.2 million bu last week and 1.8 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 645,000 bu.

We had state reports today from Kansas and Nebraska, and they confirmed the losses mentioned in the government report, but condition was probably no worse since then. In Europe, unsettled weather has continued in some sections, and they need a period of sunshine to bring crops through to maturity. France has had an occasional rain, but still there has been an appreciable improvement in wheat prospects compared with last spring, but no further trade or official estimates have been made. The German wheat crop looks to be about 8 million bu smaller than a year ago, but the rye outturnis about 20 million greater. Broomhall has his doubts whether the recent official Italian forecast for a wheat crop of 328.5 million bu will be reached; last season a yield of 347 million bu was obtained. We shall not have a Canadian official estimate until August 31st, but best guesses are that the wheat crop will be about 470 million bu, which would not differ greatly from last year's production.

There was a good deal of short covering in all pits, and some of the buying undoubtedly was based on the fact that the Democratic platform will ask for a return of 90% of parity loans for basic commodities. Best prices, however, did not hold, September beans were relatively firm and shorts were fearful that recent wet weather may delay harvest.

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CHICAGO, 4

August 16, 1956

Political planks and platforms are extremely important from the voters point of view, In a great democracy like ours, there is strength in the fact that the party out of power has an opportunity to criticize those who have been in control of our national affairs. No doubt many of the charges that are being hurled this week will be answered next week when the Republican Convention convenes, and that body will also pledge itself to do many things, not wishing to be outdone. Actually everything that is promised in a platform does not find fulfillment; therefore, one should not pin too many hopes on good intentions which are expressed.

Nevertheless, we have been studying the agricultural promises as set forth in the Democratic platform, and they have bound themselves to preserve the family type of farm to encourage farm home ownership. They will promote international exchange of commodities, together with restoration of crop supports at 100% of parity through commodity loans, through purchases, and other means. They have also given assurance that they will extend price supports to feed grains, meat, poultry, and dairy products. Thus they have undertaken something that every true American would like to see: namely, to have the farmer share in the general prosperity of the nation. But to accomplish this through price supports is not an easy thing to do, as we have discovered through the building-up of stocks and surpluses when prices were held at artificial levels. Early in this country's history, John Witherspoon remarked to George Washington that: "Fixing the price of commodities has been attempted by law in several States among us, and it has increased the evil it was meant to remedy, as the same practice has done since the beginning of the world."

Before our market opened this morning, there was not too much to guide it. There had been about 1/4 inch rain in parts of Iowa, and also, some rain in Nebraska, but it was fair elsewhere. Chances are that we will get some showers in eastern Nebraska, eastern Kansas, and over the corn belt. The trade, however, is paying more attention to other factors, and some of the carryover feeling from yesterday, which had been bullish, developed again this morning, and there was general buying in the various pits. Attention is also being directed to the fact that the export business in wheat is better than a year ago, probably due to the smaller crops in Europe, particularly in France.

During the past week our shipments of wheat and flour were 10.6 million bu and the total since July 1st was 57.3 million bu compared with 38.2 million a year ago. Our corn shipments during the past week were small, but yet since last October we have cleared 95.5 million bu compared with 74.3 million bu the season earlier. We are shipping a fair amount of rye, and during the week 915,000 bu cleared, which compared with 375,000 bu in 1955. Much of this is undoubtedly CCC rye, which apparently the government wants to liquidate. Our import quota of rye is 3.3 million bu and is now filled, with Canada having shipped, or is in the process of shipping, more than 3 million bu to Chicago, but only 269,000 bu has been destined to Buffalo.

Primary receipts of wheat amounted to 2,311,000 bu which compared with 2,209,000 bu last week and 1,809,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 745,000 bu. It will not be long now before the movement in the Northwest will start to build up.

Our markets were all strong early, as we indicated before, and in wheat there was a considerable amount of local buying, while as an offset an export firm was on the selling side. There also appeared to be a few hedges placed later in the day. Trade was not particularly big, and generally speaking sentiment seems to be a little friendly to markets, at least on reactions. It is, however, felt that there may be better buying opportunities than at present as the markets have had a fairly good advance. Even rye falls in this category despite comparative merit due to the fact that we raised a small crop, and free supplies from last season are not burdensome. There is only a small amount of flour being booked, and as The Southwestern Miller points out, the underlying reason is that the unfilled backlog is heavy. This, of course, makes the trade totally indifferent toward replacement of withdrawals. Corn was strong until it was learned that in some of the early areas to the south of us a car or two of new corn had been offered for ten-day shipment, and this apparently took the edge off the market, so that reactions set in. September beans continue relatively firm, and the big question is how early the

beans may move. If one knew that definitely he would certainly have the key to the

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CHICAGO, 4 August 17, 1956

If wheat prices in North America were permitted to sell on their merit without any artificial factors, it is difficult to say what the supply and demand factors would actually dictate. It is seldom that we have seen so much wheat on this Continent.

Now that the Canadian wheat crop is almost ready for harvest, and the facts have been told, we find that they will have a total supply, including carryover, of 1,022 million bu. Here in this country the total wheat supply, including reserves from past years, amounts to 1,969 million bu; thus Canada and the United States have a total supply of nearly 3 billion bu. The two countries together consume only about 850 million bu for food, feed, seed requirements, etc., so that there is a surplus of 2.1 billion bu which either has to be exported or will be carried into future reserve stocks. It is obvious from what we have just stated that if neither Canada nor the United States raised another bushel of wheat for 2 1/2 years we could get along on our reserves provided, of course, nothing were exported. A situation of this kind is difficult to solve by merely propping prices and trying something artificial.

Therefore, it occurs to us that our country at least, has taken the wisest step in trying to curtail production by paying farmers to raise less. This at least will prevent further accumulations, and may gradually permit us to eat into some of our reserves. It is always better to get at any malady at its source rather than to use palliatives which may or may not cure. Generally they do not. In the long run it would probably not be any more expensive, even though vast sums of money will be paid from the public treasury to compensate farmers for loss in production when they plant fewer acres.

Formerly, this was done through another method, which we used to call "supply and demand." When the price dropped to a low level it discouraged heavy plantings, but apparently we are in an era where that philosophy is no longer being practiced.

We realize, of course, that import requirements of bread wheat will probably exceed the figure of the past season, although Broomhall does not believe the demand will cause any strain on the enormous world reserves. The frosts of February and March, which had such devasting effects in France were also detrimental, in a lesser degree throughout Holland, Belgium, Germany and the U. K., but they had little effect in Italy, Greece or Spain. The recent and persistent rains in Germany, and the adverse weather in the U. K. have added to the doubts concerning the eventual yield.

We should like to call attention to the Winnipeg Free Press report on rye. The Canadian crop is estimated at 7.6 million bu, which is a very low yield, and is due to the severe winter kill. A crop of that size would be only half of last year's. Canada has already exported 3.3 million bu to the United States. They did, however, have a fairly large carryover in that country. The Canadian oat crop now estimated at 374 million bu is large, and shows an increase of 30% over last season.

Primary receipts of wheat were 2.1 million bu which compared with 2.5 million bu last week, and 1.8 million last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 874,000 bu. When the visible supply of wheat is posted on Monday it will compare with an increase last year of 2.4 million bu.

There was not a great deal in grain markets today, and while prices were firm at the start, this has been a week when there has been a good dealof short covering. In fact, some traders have added to their lines, so that the technical position had probably been weakened. Some selling occurred from various sources. For example, hedgers sold corn, although mostly for deferred positions, and we also had some liquidation in wheat and in beans with the result that support was inadequate to hold the line. Milling demand is still extremely slow, and hard winter sales, according to The Southwestern Miller averaged a little above 15% of capacity. Spring bakery flour sales were only slightly larger. The near-term outlook continues quiet, although with the volume so slow there could be some pick-up.

We heard that CCC had sold some additional quantities of rye overnight. The Canadian crop report for only about 7 1/2 million bu was naturally bullish, but as an offset we would say that when the carryover reserve is given there probably will be 11 million bu left over from previous years, so that altogether statistics are not quite as inflamatory as they might be in view of the fact that only half a crop

was raised in that country.

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CHICAGO, 4

August 20, 1956

The Republican Convention at San Francisco will start its sessions at about noon today. Two of the most important problems that will be considered in the platform are foreign policy and agriculture. Since the Democrats have already stated their preference for high supports, we are sure that there will be an issue between flexible and rigid supports. In this connection we remind our readers that flexible supports were endorsed in the platforms of both major parties in 1948 and by the preceding administration. At that time all of the farm organizations were agreed that this represented the sound approach to our price support problems. Every Secretary of Agriculture for the past twenty years has favored flexible price supports at one time or another. Senator Clinton Anderson, one-time Secretary of Agriculture, stated a few years ago: 'If we are to be fair, we should give flexible supports a chance to work in a market not glutted with ...surplus crops." Mr. Truman, As president of the U. S., in a message to Congress on May 14, 1948, had this to say:"Many shifts in production will have to be made, and flexible price supports will help us make them in an orderly manner." We feel rather certain that in their discussions at San Francisco, the Republicans will tell of the piling up of supplies in 1948 and 1949 when wartime incentive programs were still in effect. Then came the Korean war which temporarily relieved agriculture, although this seems always a high price to pay for prosperity. In 1952 and 1953, the bottom fell out of exports, and, for example, the sales of grains and cotton dropped 45% in two years. The parity ratio of farm prices fell 19 points in the 23 months prior to 1952. Secretary Benson has said on several occasions that if 90% loans were the answer to our problems, there might be none today. As a matter of fact, rigid supports were part of the agricultural program until just about a year ago, so that the new system has not been given too long a trial, but even during the period that it was in operation, we find some improvement, and there seems to be growing optimism among farmers, particularly with cattle and hog prices increasing.

During the past seven months prices of farm products have gone up about 10% nationally and the parity ratio has risen from 80 to 85. In our opinion it would be a much healthier situation if agricultural problems were taken out of the political field entirely, but apparently that would be raising our sights too high. Too many legislators try to reach the "promised land" by passing laws, and many unforunately do not understand our economic system and its limitations. When any program begins to break down, more and more controls are applied. Economic problems are solved only when we adjust to reality.

Chicago stocks of wheat showed an increase of 1 1/4 million bu, and the total here is now 16.4 million bu. Corn decreased 257,000 bu, leaving 11.7 million bu in this market. Oats showed an increase of 320,000 bu, to a total of 6 1/4 million bu. Rye stocks increased 210,000 bu, and we now have 3.7 million bu here. There was a large decrease in Chicago bean stocks of 579,000 bu, which leaves us with 2.8 million bu.

Weather over the week-end was most satisfactory in many regions. First of all, temperatures had dropped in the Southwest, where it had been excessively hot, and they had a fair amount of moisture, which also covered the North Plains of the Texas Panhandle. It was good for the sorghum crop there, although the rains came rather late. There were also rains over the corn belt.

It was reported that Egypt had postponed their wheat purchases. The flour demand over the week-end was almost flat, but later in the session there seemed to be a little strength despite some hedging from the Northwest. Locals bought and shorts also came into the market, only to find that offerings were extremely light. The rye market was very much higher both here and at Winnipeg. We now have the official Canadian carryover given at 15 million bu, which compares with 18.5 million bu last year, and 8.6 million bu for the ten-year average. The Canadian wheat carryover is now given at 527.5 million bu, which is a little more than had been previously estimated. This compares with 500 million bu last year and 234.3 million the ten-year average. On the other hand Canadian oats weakened, as the carryover supply up there is greater than had been expected; furthermore, their oat crop is about 30% larger than last year. Here in Chicago we paid very little attention to that factor. Corn prices steadied after some hesitancy early, but with wheat prices both here and at Minneapolis higher there was some short covering, particularly as the September future is at a big premium over the new-crop months, due to the small amount of free corn which is left in Chicago.

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CHICAGO, 4 August 21, 1956

We are confident that most farmers in this country realize that the high prices of the 40's and the early 50's were due to war and the insatiable demands of war. During those periods we had OPA in order to prevent excessively high price levels and further inflation. We do not believe that price supports, either rigid or flexible, during that period had very much to do with the upward spiral. The same might be said for the price level during World War I and its aftermath. By the same token, however, farmers do not want programs that have to be bailed out every few years by a drought or a major war. For a sound agricultural economy we have to develop peacetime programs now that we actually have peace.

During the coming week we shall probably hear the other side of the farm story. These men in San Francisco will tell us that farm prices have risen 10% since last December. They are now higher than when flexible supports began to go into effect, and they are higher than when the President vetoed the first Farm Bill. Farm incomes are running at a rate half a billion dollars above the levels of late 1955. All this came about in spite of many prophecies that there might be a disaster if President Eisenhower vetoed that first Farm Bill. Figures and facts will show that the present record of American agriculture is better than in any postwar period in history. For example: More farmers own their own farms than ever before. Farm foreclosures are at an all-time low. About 7 out of 10 farms have no mortgage debt whatever. Land values are near an all-time peak, indicating that farm people have faith in the future.

Secretary Benson has made the following statement with respect to actions and programs that were pursued by this administration: "We sponsored and secured passage of legislation to speed up the movement of our stocks of government-owned farm commodities. With the help of this legislation, last year we moved into useful outlets $2.7 billion worth of government-owned stocks of farm products, more than ever before and five times as much as in 1953. We did this in peacetime, despite an increase in world agricultural production. We did it while protesting price levels at home and abroad, and without destroying food."

The Republican Platform Committee adopted a farm plank pledging the Party to work for "improved farm income" but said the Program should be "versatile and flexible." The Convention endorsed the Administration's program enacted in 1954 for sliding scale price supports for basic crops. Every appropriate and effective means will be used to improve farm marketing conditions and research to improve the quality of crops, the safeguarding of precious soil and water resources. The plank adopted officially by the Platform Committee pointed with pride to the Soil Bank Program approved this year, saying that farmers have earned $225 million for taking some 10 million acres out of production (actually final figures show that 12.3 million acres have been retired and total maximum payments that could be earned under the sign-up agreements may amount to nearly $261 million.)

Markets were not particularly active in spite of the fact that there was a sharp break in New York securities, and advices from the East told of higher interest rates to prime users, so the tightening of credit was naturally a factor. Our markets here turned weak after mid-session, but wheat rallied when Minneapolis became strong, and they advised us that on moderate mill buying their futures had gone up 2 to 2 3/4¢, with some flour business worked, and offerings were extremely light. There is also talk that some spring wheat is going into the loan which might reduce the amount of pressure from that source.

An economist at the University of Illinois prophesied that soybeans would average about $2.10 per bu this coming season to farmers at east-central Illinois points. He figured that even with heavy exports if we get the big crop that is currently indicated, there was very little chance of major increases in the price of soybeans in the year ahead. The September future, which of course will be influenced by the amount of beans that move early, was on the weak side.

According to figures that were published today, there is about 15.3 million bu of free wheat in Chicago, but the amount of free corn is less than 1 million bu, and this naturally makes it difficult to predict the outcome of September corn unless the country should sell on a freer scale than they are doing at present. We find that the Soil Bank has been responsible for retiring 12.3 million acres of crop land, and more than 500,000 agreements have been signed involving payments of $260million. This figure might be adjusted downward after there is a final check on compliances.

It remains fair and cool, but will probably be a little warmer on Wednesday. Thus far we doubt if the low temperatures, even in Canada, have done any great

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CHICAGO, 4 August 22, 1956

The USDA issued its quarterly resume on wheat, and while there was nothing particularly new in the findings, we shall give herewith some of the salient facts and figures, even at the expense of repetition. It is now stated that of the wheat carryover on July 1st of 1,030 million bu, including the amount owned by CCC and the quantities re-sealed and still outstanding under loan, there was only about 39 million bu old-crop wheat that was in free supply. This compared with a similar figure of 36 million bu the year before. At the beginning of the present marketing year, total wheat supplies were estimated at 1,974 million bu, which was a new all-time record. This consisted of the carryover of 1,030 million bu, as just stated, to which must be added the 1956 crop now estimated at 939 million bu and likely imports of about 5 million bu. Altogether this is not much different from the previous record high of 1,971 million bu a year earlier. It is estimated that domestic disappearance will account for 611 million bu. If we assume that exports will be the same as 341 million bu shipped in the 1955-56 crop-year, we would have a reserve stock next July of 1,022 million bu, or a slight reduction from the present reserves. However, it would be the first time that the carryover did not increase since 1952.

Looking ahead, the government places great reliance on the fact that probably 12 to 15 million acres of the 55 million-acre-allotment will be retired under the Soil Bank Program. Thus we may have a planted wheat acreage of some 40 to 43 million acres. Assuming average yields per seeded acre, it would give us a crop of around 700 million bu. Domestic disappearance of wheat for food, feed, seed, and industrial usage is estimated to be 610 million bu. Further assuming that exports will remain at the present high level, total disappearance would be about 250 million bu in excess of what we shall probably raise. Thus the picture for the future is improved statistically and the burdensome carryovers will gradually be cut down. It is further hoped that changes in the wheat export programs, which become effective early in September, will cause substantial quantities of wheat for commercial export to be drawn from free market supplies rather than from CCC stocks. Under the new program Commodity will discontinue cash payments under IWA and also sales at special prices for commercial export outside the IWA. Instead, the export subsidy will be paid in the form of wheat from CCC stocks on all commercial sales of wheat grain. As previously stated in these letters, CCC will continue to dispose of its holdings through barter contracts, and will continue domestic and foreign donation programs. With these exceptions, however, CCC stocks will be available only at the higher of (a) 105% of the current support level plus carrying charges, or (b) the domestic market price.

Rye supplies in the current crop-year will be 16% below last season based on current indications of production and carryover stocks. With higher prices, however, less is expected to be fed and likewise less consumed. If exports are about the same as the 6.6 million bu shipped last year, the next carryover will be about 11 million bu vs 16.3 million bu on July 1, 1956.

While there had been torrential rains last week over northern sections of Great Britain, the Minister of Agriculture claims that crops have come through in fine shape on a larger acreage than last year. He estimates the wheat yield at 46.8 bu per acre, barley 54.1 bu per acre, oats 69.3 bu per acre. This is still a wonderful showing in comparison with our average ten-year yields, which for wheat were 17.1, barley 25.9, and oats 33.4.

Primary receipts of wheat today amounted to 1.8 million bu compared with 2.9 million bu last week, and 1.5 million bu last year. So far this week Kansas City and Minneapolis stocks show a net decrease of 121,000 bu.

Markets were mostly on the weak side with some hesitancy in wheat early. There was a little strength at one time at Minneapolis, with some further flour sales reported, although most of the business apparently was put through yesterday when one chain added about 45 days to coverage, but there were some other scattered sales, also of fair volume.

The tight money situation is having its effect upon carrying charges, and may also influence heavier deliveries than if elevators could borrow cheaper money to carry their own grain.

Corn was under pressure, not due to any particular weakening of the local cash basis but rather to reports that the CCC was having some trouble finding storage for corn in the Southwest; consequently, were selling 60 cars at Kansas City today and 60 cars also at St.Louis. Beans were also lower, and were probably influenced by the crushing report, which showed grindings of 20.3 million bu for July against 21.3 million a year earlier. The Census report also indicated a larger bean

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CHICAGO, 4

August 23, 1956

From all indications world import requirements of wheat will be somewhat larger this year than last owing to the fact that present prospects for Western Europe point to a somewhat smaller output than the bumper crop harvested last year. Crop damage has been reported in a number of countries as a result of the heavy freezes of the past winter and the damage was especially severe in France. In that country the 1956 crop is reported to be only about 60% of the all-time record 1955 harvest. There has been a small net increase for Asia, at least in the reporting countries, and somewhat improved conditions mainly for Iraq and Syria are claimed, but crops last year were very small. Harvests in India, Pakistan, and Turkey are at about the 1955 level on basis of preliminary reports. We heard this morning that weather was again unsettled in the U. K., and advices from abroad are becoming more emphatic about the damage, particularly to quality, because of the long spell of unsettled weather. There is not much demand at the moment, but this is often the case early in the season when many of the European countries try to get along on native crops before making purchases for the future. Available supplies for export and carryover in the four major surplus countries, which include the U. S., Canada, Argentina, and Australia, are 1,819 million bu, which is the largest quantity for the last ten years. We have seen this figure considerably lower, and as a matter of fact similar stocks for a five-year average period (1945 to 1949) were only 471 million bu. Thus it can be seen that European importers will probably bide their time and will not become overly enthusiastic even with the knowledge that purchases may be heavier this season than they were last.

The domestic rye situation has been receiving more comment owing to the fact that this year's crop is estimated at only about 22 million bu based on the August 1st forecast. This compares with 29.7 million harvested in 1955, and 21.6 million, the ten-year average. The smaller crop this year reflects the unfavorable conditions under which rye was started last Fall, together with the Spring and early Summer drought. The yield per acre is estimated at 12.7 bu compared with 14.2 last season and the 12.7 bu yield, which is average for the past ten years. Looking at total stocks, including the carryover of 16.3 million and likely imports of 3.4 million, our total supply should be 41.7 million bu, which compares with 49.5 million a year earlier and 34.1 million, the 1950-54 average. Consequently, it will be seen that when comparisons are made with only one year, it sometimes gives a distorted picture. This is not to say that rye should not do better than it has in the past, because our total disappearance may be quite heavy, and we look for a substantial reduction in the carryover before the season ends. Still with higher prices, it is thought that our domestic usage in the coming season will be down to about 24 million bu vs 26.6 million in 1955-56. It is assumed that with the smaller crop and higher price, feed use will be less. If exports are about the same as the 6.6 million bu last season, we should reduce the reserve stock to about 11 million bu, on July 1, 1957, and that reduction would be about one-third from the 16.3 million we had going into the present crop. Between 1946 and 1953, the average carryover reserve in rye amounted to 5.1 million bu.

Primary receipts of wheat of 2.3 million bu were precisely the same as last week and compared with 1.5 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 202,000 bu.

Markets were generally on the weak side, but state reports, particularly those from the Southwest, were not optimistic, but the deterioration of which they spoke had been pretty well known and had no market influence. Over the main belt it is felt that beans and corn are making satisfactory progress. Flour business, except for some additional bookings in the Northwest, seems to be quiet, and as The Southwestern Miller points out, seldom in past years have all classes of trade covered so far ahead. Thus we cannot expect much help from that source. There was a little selling of wheat by an investment house, but the volume was not particularly large. In corn, one of the industries sold September, which apparently they had been long, and this narrowed the difference between old and new crop.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 August 24, 1956

Several of the Federal Reserve Banks yesterday boosted the discount rate to 3%, which was not much of a surprise, as it merely conformed to the action taken by the Regional Banks in San Francisco and Minneapolis. It seems that the demand for money is so great that it exceeds the supply, and, therefore, sends the rates to higher levels. There are, however, six Regional Banks that still remain at the lower discount rate; they are the Banks in Boston, Cleveland, Atlanta, St. Louis, Kansas City, and Dallas. But even these are expected to hold meetings soon and will probably ask for approval of a boost. This is the sixth round of increases since April 1955, when the rate was 1 1/2%, and the present 3% return is the highest we have had since 1933. We can recall, however, that in the 20's the discount rate rose as high as 7%. Apparently the Federal Reserve's action is an attempt to halt inflation, but the situation is in contrast with 1929, when the great boom was in stocks. Today brokers loans are very low, but the bulk of the borrowing has been for business.

The USDA believes that farmers' cash receipts for the rest of the calendar year may well exceed those of 1955. Later on, livestock product prices are expected to average above a year earlier, due mainly to a smaller volume of hog marketings this fall. There will be close to $300 million distributed to farmers for participating in the Soil Bank for 1956. Production expenses may be slightly higher than they were a year ago, but realized net income in the second half of this fiscal year should be somewhat larger than in the same period of 1955.

The Searle Grain Company, Ltd., of Winnipeg, makes some interesting comparisons in wheat consumption, both for Canada and the U. S. In their country domestic usage has kept pretty much in line with the growth in population, but for us they point out that a population increase of over 57 million people in the past twenty-seven years, or a 42% gain, has not done much to increase bread and flour consumption. Actually there has been a 2% decrease in the total domestic disappearance since the 1929-38 period. Not only has the quantity for human food fallen sharply, but at the same time no doubt largely as a result of price support measures which made it uneconomic to feed wheat to livestock, there has been a noticeable drop in that field also. (We believe large corn and oat crops were also a factor.)

Before our market opened, there was not too much to guide it. Some unexpected rains had fallen over northern Illinois and northern Indiana, but elsewhere it was mostly dry. Temperatures are slightly on the cool side, but we hear of no complaints; in fact, a message from Minneapolis spoke of better yields than were expected for central North Dakota, harvesting operations for wheat indicating returns of 25 to 35 bu per acre.

In Argentina, the outlook for wheat continues mostly favorable and crops generally have obtained a very good start with moisture supplies fair to good in practically all areas. The general impression is that an estimated 12% increase in acreage will prove to be reasonably accurate.

Primary receipts of wheat were about 2.4 million bu compared with 2.1 million bu last week, and 1.8 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 251,000 bu. When the visible supply of wheat is posted on Monday it will compare with an increase of 1.4 million bu last year.

There was no particular news in the wheat, market, although prices advanced, and there was local short covering following two days of declines. Flour business is very slow, and according to The Southwestern Miller, volume is no more than about 20 to 25% of capacity. On the other hand, there is not a great deal of pressure, although we did note that a few spring wheat hedges were placed here. We learned during the session, and advised our clients, that the Chicago office of the CCC announced that corn bought for export under GR-212 must move directly to port. Thus identity of the corn is preserved whereas previously exporters had the option of unloading such purchases and substituting an equal quantity within 60 days under their export shipments. This apparently had the effect of rallying September corn as compared to the new-crop futures. Beans were weak, influenced by the good weather. Corn, which was temporarily higher, failed to hold its gains. Net changes were not important in any of the pits.

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CHICAGO, 4 August 27, 1956

The new export program for wheat will start right after Labor Day. The terms and conditions of the subsidy in kind will be explained and instructions, we are told, should be available for distribution the early part of this week. Up to now we have not observed that much cognizance has been taken of the new plan, except that earlier when it was announced some speculators bought, but in the main there have not been many commercial hedges taken out of the pit. It should be noted that in the season just closed, we shipped slightly more than 340 million bu wheat and flour. This was the largest quantity since the 1951-52 season, when our shipments reached a figure of 475 million bu. It is a large quantity when we compare it with prewar when our exports averaged only 46 million bu. At that time, however, we did not have the large surpluses, nor were we raising the billion-bushel wheat crops. Probably the outstanding feature of last year's shipments was the large increase to Africa, the Western Hemisphere, and Asiatic markets. Especially noteworthy was the large business effected with Egypt, Brazil, Japan, Pakistan, India, and French North Africa. We also had increased exports of flour to Indo-China and Venezuela. As far as the European outlets were concerned, there were some disappointments because of reduced shipments of wheat to Germany, Yugoslavia, and Norway, but still total sales of wheat and flour in European markets were slightly larger than the year before, and the increase was due mainly to the larger takings by France and The Netherlands. A number of factors have been responsible for the over-all expansion, including the various disposal programs authorized by Congress and the increased dollar earnings and holdings in a number of foreign countries.

In his first talk following the Convention, Secretary Benson spoke in Pennsylvania last Saturday, and he discussed surpluses and controls, pointing out that artificially high or guaranteed prices were a green light to producers, thus encouraging production; at the same time it was a red light to consumers, which discouraged consumption. In speaking of the building up of inventories and CCC holdings, he said that his predecessors had left a time bomb, and that before leaving office they had already announced unlimited production of wheat, corn, and cotton for 1953. He also told of rigid wartime price supports that remained in effect for basic crops, which caused the further accumulations, and thus both the farmer and the public, but particularly the farmer, got hurt. The staggering sum of $5.5 million a day in reduced net income to farmers is the result, according to Mr. Benson, which the price-depressing surplus stockpiles have occasioned, and in his opinion such terrific losses must be stopped and the cause must be corrected in order to make agriculture free and prosperous. He went on to say that the Soil Bank will bring about much needed relief.

Chicago wheat stocks increased 581,000 bu for the week, and there is now nearly 17 million bu in this market. Local corn stocks increased by 285,000 bu to nearly 12 million bu, but the bulk of this is still owned or controlled by the government. There was an increase in the oat stocks of 653,000 bu to a total of 6.9 million bu. A small decrease in rye was unimportant, but the bean stocks locally decreased 828,000 bu, but there is still 2 million left here, and from what we heard downstate there is a fairly good chance that there will be some beans ready in time for September delivery. The nearby future narrowed its premium over later months, and with the exception of September beans all futures went into new low ground for the season. There was a period when the wheat market acted a little better, but aside from some buying of the distant months we saw no particular feature, nor did we hear of any news. Later on when corn weakened the leading cereal yielded some ground, and on the whole we had a day when longs seemed to be more or less on the defensive. September corn was weak in relation to new-crop months, but at the same time there was no pressure from the country, and the cash basis was still quite strong, with buyers willing to pay about 10¢ per bu over the September future.

There was a report that Japan had ordered an import duty of 10% to be effective Oct. 1st on soybeans, and at times there was some local selling in this market, all of which tended to depress that commodity.

Flour business was again slow except for some scattered bookings in the Northwest. According to The Southwestern Miller this business was helped by price concessions. Weather has turned rather hot over the Mid-west, and there are showers indicated for the corn belt by tonight or tomorrow.

The wheat visible increased 3 1/4 million bu, corn decreased 134,000 bu, oats increased 1 3/4 million bu, and beans decreased 1.2 million bu.

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CHICAGO, 4 August 28, 1956

Secretary Benson said today that the farm problem had not been changed simply because this is a political year. He seems to be not at all unhappy that some people are choosing to make agricultural problems an issue of the election campaign, for he believes that out of all the discussion, and even controversy, will come a fuller and wider understanding of the problems and the issues. He is confident, however, of the good judgment of farm people because he feels they know better than most, that "as ye sow shall ye reap." He does not feel that there are any magic tricks by which we can suddenly do away with the accumulated surpluses, which are the major burden upon farm prices and income. To quote him directly: "My argument against rigids is certainly not that they give farmers too much. Rather they do not give enough. They do not protect farm income when markets have been destroyed, when surpluses have accumulated -- and when they have brought farmers under intolerable controls." It is the Secretary's feeling that now that we have a Soil Bank law, surpluses may be reduced so that the sound flexible price support provision of the Agricultural Act of 1954 can work effectively.

Before our markets opened this morning there was not too much to guide them. There had been very little rain overnight, but the map is still unsettled, and chances are that we shall have some moisture over the corn belt, particularly east of the Mississippi River, and while temperatures will be rather high today there should be some moderation by late tomorrow. Weather was said to be unsettled again in the U. K. and on the Continent. There was also some rain reported over many points in Western Canada but still foreign buyers were more impressed by the favorable crop reports from the North American Continent and were holding off on their buying.

Broomhall reported that the French Minister of Agriculture had revised his ideas and that the wheat estimate was now for a crop of 178 million bu, which is an increase of 15 million bu over the earlier estimate. On the other hand, the trade is reckoning on a crop of around 224 to 260 million bu. This would compare with last year's final figure of 380 million bu.

Early in the session September beans sold for the first time at the November price, despite the fact that Japan was reported the buyer of 37,000 tons soybeans for October-November shipment, although this included 1 cargo which had been reported yesterday. We believe that as time goes on both exports of beans from this country and domestic crushings will be large, so that one cannot be too sure of the bear side of the market, particularly as our price level is now several cents below the loan. On the other hand we have seen in the past that markets did not always stop when the loan price was reached, and if we get any amount of hedges there is always the chance that prices might temporarily work some 10 to 15¢ below the loan level.

Markets were generally a little firmer today. There was no particular news, nor was there any aggressive buying, although there seems to be an accumulation of July wheat, and this has been going on for some time, probably due to the fact that some traders feel that with the Soil Bank cutting our acreage severely next season that it will make a difference in the spread relationship. There is, of course, the chance that our export shipments will be larger this season than they were last, owing to the fact that European crop reduction has occurred. According to a compilation made by Broomhall, 16 European countries will have a total wheat crop of 1,100 million bu compared with 1,280 million bu last season. Thus, there is a cut of 180 million bu, with France the largest loser, and accounting for most of the decline. A somewhat smaller production is also indicated for western Germany, Italy, and Spain, but there have been some increases notably in the U. K.

Here in Chicago we find that the amount of free corn has been reduced to 879,000 bu, but stocks of free wheat are very large and amount to 15.8 million bu. In today's trade there seemed to be some September corn wanted at 6¢ over December, and we find that the country is hardly offering anything, so that we are still apt to have a rather close adjustment between free supplies and actual demand.

It was reported that Portugal had bought two cargoes of #2 hard winter wheat for September shipment, but we saw no evidence of hedges being covered in the pit. Flour demand is still draggy, and this is true of all types. In checking around we feel that there might be as much as one million bu of wheat tendered on September contracts, possibly one million bu of oats, a few beans, but no corn. Figures, of course, will have to be revised between now and Friday, as more hedges are changed over to the distant months. Next Friday we shall have the first estimate on crop production for the Canadian Prairie Provinces.

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CHICAGO, 4

August 29, 1956

A fair amount of rain is indicated for the corn belt, particularly east of the Mississippi River. Apparently this caused a little apprehension not that it will do any harm to the crop, but that it might delay the harvest, and accordingly the spot market was stronger this morning. There was a fair amount of buying of the nearby delivery, which also had some influence on the later months. We had word from Winnipeg that there were heavy rains also in Manitoba and Saskatchewan, which will put a stop to harvesting operations for a time. Moreover, the latest crop reports indicate that there has been considerable damage, which is now beginning to show up, due to the early frost in Saskatchewan, while the quality of barley is reported as disappointing. As we mentioned yesterday, there will be an official estimate of crops by the Ottawa government next Friday. Possibly they will take some of the deterioration into account, but on the other hand the carryover reserves in Canada are still very sizeable. For example, in wheat there is a reserve stock of 527 million bu, which is more than enough to take care of their domestic requirements for three years. The oat reserve is 116 million bu, also a good deal higher than they have had in most other years, while the carryover of barley is 107 million bu, so that even if there are some cutbacks it is not apt to be a very menacing situation.

Here at home we continue to get optimistic reports with respect to beans, and it appears more than likely that when the September figures are published the crop will set a new record by a wide margin and might even exceed the 443 million bu estimate that was given the last time. The industry is approaching the new season with great confidence, and it is felt that the sales of edible oils under P.L. 480 will be pushed to the fullest extent justified, and they might even be larger than last season. This is almost a necessity for it is an economic fact that there is probably less elasticity in the domestic per capita consumption of edible oils than in almost anything else in our economy. The demand remains very constant and does not vary with either price or income. It is quite a different situation from the one we have for protein meal, where the domestic consumption expands not only with increased population, but the demand for better diets and the desire for meats, dairy and poultry products increases meal consumption. As our population seems to be eating less bread and is going out for a more balanced diet, the over-all demand for feeds has been increasing. We believe that our government is fully cognizant of these factors, and the officials who are charged with price support responsibilities are looking toward foreign markets for the sale of oils and products.

In wheat we had further buying this morning of the July future, and the new-crop delivery was higher even while there was indifference in other trading months. It is recognized that while the Soil Bank has removed some 12 million acres from this year's production at a cost of about $260 million, there was no sizeable shrinkage in our prospective crop yields. Thus acres which were retired would probably have yielded little. It is also true, however, that some farmers who placed land in the Bank had beneficial rains later on, so it is now a question whether their deposit is drawing sufficient interest to compensate for the move. Next year, however, the farmer will have to decide in advance how much of the land is to be retired, and in wheat we may not have an acreage larger than possibly 42 to 44 million acres, which, of course, is not only a heavy reduction from the 55 million-acre allotment, but it is only half as much land as was planted to wheat some years ago when we had the large acreages in this country and when wheat crops were in the neighborhood of 1 1/4 billion bu.

Primary receipts of wheat amounted to 1.8 million bu, which was practically the same as last week, and compared with 1.2 million bu last year. So far this week Kansas City and Minneapolis stocks show a net increase of 205,000 bu.

Inthe early trade wheat was about the only cereal that showed a little indifference. There seemed to be moderate firmness in beans and in coarse grains. Very likely rains over the corn belt brought in some buying, and before the end of the session spot corn was traded at 14¢ over, which is certainly a big premium., It was very quiet in flour trade. Some business was worked overnight in the Northwest, but generally speaking orders were on the quiet side. Not much attention was paid to the signing of an agreement between India and the U S whereby we would ship them $360 million worth of American surplus farmproduct during the next three years. This is the biggest deal ever concluded under the Surplus Disposal Program. During the session we heard reports of some rains in Oklahoma, but they seemed to fall mostly in central and west-central sections of the state. There is still need for relief in the Panhandle of that state, where sorghums are said to be in poor shape and still deteriorating.

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CHICAGO, 4

August 30, 1956

When the problem of farm relief was first considered in this country, all those who spent their lives in the grain or the milling business and all economists knew what the dire results would be. They realized that any interference with the law of supply and demand would have its secondary consequences. They recognized that the more money devoted to any project might be fruitlessly spent if it resulted in a further stimulus to the growing of crops in the face of already large production. Since that time we have had reasonably high prices, but we have also built up such vast stocks that the government has had to invest about $ 14 billion in various programs; furthermore, it has cost about a million dollars a day to pay the storage alone on these accumulations. The problem was never fully resolved because whenever foreign buyers knew that these huge surpluses hung over the market, they would not pay the price which we exacted, and as a consequence we have had to subsidize huge shipments of wheat and we have had to give away large amounts of food and surplus crops, while under the Surplus Disposal Program we have sold additional quantities for which we received local currencies of the countries with whom the trades were made. There is some doubt whether those funds will ever be spent to the most useful advantage.

In the largest of these transactions that was signed yesterday between India and the U. S., the result will naturally be a helpful reduction of our surplus stocks, particularly wheat, cotton, and rice, which have been the most burdensome. The wheat provided for in the agreement represents more than 15% of the total quantity of wheat held by the U. S. government on August 1st; however, the 130 million bu of wheat will be shipped over a three year period. The rice, all of which will be shipped the first year, represents about 20 to 25% of government stocks estimated to be available during the present marketing year. It is hoped that the rupees generated by these sales will be used for purposes beneficial to both the U. S. and India; those rupees will help to pay many U. S. obligations in India and will be used for market development and other U. S. purposes. A substantial portion of the local currency will be loaned back to the government of India for economic development projects and additional rupees will be made available on a grant basis to India for the same purpose. In concluding the agreement India has given us specific assurance that she will maintain her normal imports of agricultural commodities from other free world countries. It may be that with such agreements and others like them, plus the payment to farmers for cutting acreage, we shall accomplish our aim in cutting our surplus reserves. On the other hand could we not have helped the farmer just as well if we had cut his taxes in years of low production, or when returns were unprofitable? Had that been done there would not have been the foreclosures on farm mortgages in the 1930's. Farm taxes continue to rise and levies for 1955 totaled $ 927 million, which is almost double those in 1945 when a sharp rise began. We realize that the basic cause of these increased state and local taxes is the need for additional schools and other public facilities to accommodate a growing population. However, the losses that are sustained by CCC in handling these vast projects could easily be used at home for the constructive purposes mentioned above. We believe that the whole question of taxation against farm property and ownership is one that deserves first attention.

Primary receipts of wheat today, with Wichita missing, were 1.7 million bu; this compared with 2.3 million bu last week, and 1.7 million bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 236,000 bu.

The trade was not too big, and for a long time there were very few changes in wheat. The northwest movement is having no effect here; premiums there have strengthened a little, but the cash market was very weak compared to futures, largely due to lack of storage room. While we had a firm opening in corn it was announced soon afterwards that Commodity had sold overnight about 1 1/2 million bu of corn to exporters. This caused some hedging in the pit, which took the edge off the market. New corn is moving but slowly, there were a few cars at St.Louis, and we had one car of new corn here that came out of southern Illinois. After tomorrow indications are for clearing skies over the corn belt, and probably moderate temperatures over the week-end. Spot corn held steady, and the basis was 14¢ over September. Beans were a little lower, but the trade was cautious, and there is very little forward selling, by the country, with prices at or below loan levels. Farmers apparently are waiting to see what prices will prevail when beans are actually ready to move.

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CHICAGO, 4 August 31, 1956

In the crop season just closed, our wheat and flour shipments were the largest since 1951-52, and clearances amounted to a little over 340 million bu. It should be noted, however, that our agricultural exports have had to face many serious difficulties in the present world situation. One of the severest handicaps was the dollar shortage, although this has shown some improvement, and since 1949 total foreign holdings of gold and dollars have increased markedly. At the end of 1955, foreign countries held $26.1 billion in gold and short-term U.S. dollar assets. This did not include the gold reserves of USSR, which a leading London brokerage house has recently estimated at $7 billion. Besides this foreigners held $1.3 billion in readily saleable U.S. bonds and notes. Thus their total holdings of liquidable dollar assets amounted to $27.4 billion, or an increase of $11.6 billion over 1949, Then there are other methods by which foreign countries were helped. The spendings of U.S. residents abroad increased about 50% between 1949 and 1955. Under this heading there was travel and other services, as well as pensions and private remittances. Moreover, U.S. government expenditures abroad more than doubled between 1949 and 1955. This included troop maintenance, military installations, and other off-shore purchases. Gold production outside the U.S., private hoards, and Soviet gold sales added $590 million to foreign exchange reserves. Whatever may have been the underlying causes, there has been a reversal in the trend of buying, not only food, but increased consumer demand to take care of Europe's booming industries for supplies and materials. Thus with the other steps undertaken by our government, it has been possible to expand foreign markets for U.S. agricultural products.

Before our market opened this morning, we had advices of rather heavy rains over northern Illinois and northern Indiana, but they were not heavy elsewhere, and it seems to be clearing with moderate temperatures forecast for all sections of the country and clear skies. Inasmuch as some of the recent buying of corn and beans had been due to wet weather, there was some reversal of sentiment, although no pronounced liquidation was in evidence. The Canadian weather was also a little more propitious and more settled conditions were reported, although a few rains occurred but they were confined to Eastern Manitoba. Later in the day we shall have an estimate of Canadian crop production and the figures when given will compare with the Searle Grain Company estimate as follows:

Wheat -	461.7 million bu
Oats -	370.2
Barley -	267.4
Flax -	34.3
Rye -	7.3

The figures given by the Winnipeg Free Press were slightly better but in any case with the large reserves of 527.5 million bu wheat, 116 million bu oats, 107.5 million bu barley, and 15 million bu rye, there should be ample supplies for all purposes.

We heard that Commodity had sold exporters about a million bu rye, prices ranging from $1.23 5/8 to $1.25 1/2, FOB Atlantic, and 200,000 bu barley. Israel bought a cargo of hard wheat for last half October shipment and the U.K. bought some small parcels of corn.

Original tenders up to noon today were 905,000 bu wheat, 1 1/2 ,million bu oats, 50,000 bu of beans, and 159 contracts of lard. Wheat was strong throughout the entire session, and all futures went into new high ground, with the exception of September, although December did not finish that way. There was considerable short covering and buying in anticipation of the change in the export program as of September 4th. There was also a considerable quantity of spreading between September and December at 6¢ difference. Combined carlot receipts of wheat in Minneapolis and Duluth today were 914 cars vs 743 cars a year ago. Nevertheless, Minneapolis also showed strength. It was reported that a cargo of beans were sold to Japan for October shipment. Since July 1st the U S has shipped 76 million bu of wheat and wheat equivalent vs 40 million bu a year ago.

Primary receipts of wheat totaled 2,138,000 bu vs 2,398,000 bu last week, and 1,377,000 bu last year. When the visible is posted on Tuesday it will compare with an increase last year of 2,030,000 bus. Labor negotiations are taking place between elevator houses in Chicago and the Unions, but so far it is not known whether these negotiations will prove successful.

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CHICAGO, 4 September 4, 1956

After the close of the market on Friday, we had an official Canadian crop report and apparently it has been a wonderful season for agriculture in that country. Their wheat yield of 24 bu to the acre is considerably better than our average, which for the ten years during 1944-53 was only 17.1 bu per acre. On basis of an estimated Canadian wheat crop of 512.2 million bu wheat, and adding thereto the carryover, they should have a total supply of one billion and forty million bu. This is certainly a huge figure when it is considered that the 16 million Canadians can only consume about 160 million bu wheat at home for all purposes, including feed, seed, etc. Thus they have an enormous surplus, which sooner or later must be shipped abroad. It was not only the wheat crop, however, that was large, for their oats yielded about 7 bu more per acre than last season, and for all of Canada a crop of 514 million bu is in sight compared with 403 million bu in 1955. The flax crop will be nearly double the yield of last year but otherwise the changes were not too significant, barley being somewhat larger and the rye crop somewhat less than a year ago. The total yield of rye in that country appears to be only 8.7 million bu, but with the carryover of 15 million bu against a ten-year average of 8.6 million bu, we do not look for shortages even in that cereal.

Here at home weather had been clear and almost perfect over all sections of the country. However, it looks as though there would be somewhat lower temperatures and possibly some scattered showers late today or sometime tomorrow. We had higher parity prices for wheat and beans, the advance having been 1¢ per bu for each, but no change in corn, and as a matter of fact all this had very little influence on our market this morning.

Today for the first time in several years, exporters are permitted to sell wheat abroad, for which they will receive a government subsidy paid in kind, and this alters a long established selling policy whereby practically all of the foreign trade had been handled by CCC in disposing of our accumulations. Naturally business will start off on a rather restricted scale until the rules become clear to all, and, indeed, some trade relations will have to be rebuilt after a long lapse when our exporters had not been in constant touch with their counterparts in foreign countries. Likewise it may take time before the importers can acclimate themselves to the change; therefore, we must not expect an immediate resumption of business on a heavy scale. However, it should make for a healthier situation gradually taking the government out of this field, and by the same token it will create a greater demand for commercial wheat supplies, thus giving new lifeblood to the futures market.

Chicago stocks of wheat increased 310,000 bu to a total of 17 1/2 million bu, oat stocks increased 180,000 bu to slightly over 7 million bu, and beans decreased 566,000 bu, leaving nearly 1 1/2 million bu here. We find that there is about 16.2 million bu of free wheat here in Chicago, which is a large quantity and apparently this is responsible for the wide carrying charges, but in corn there is only about 650,000 bu free corn, and this is a rather small quantity although it could be augmented by new corn coming in soon, much depending upon weather.

We heard this morning from some of our down-state friends that Commodity is encountering considerable quantities of 14% and higher moisture old corn, and that they will sell this corn locally, or if the market is not readily available will order it to be shipped out for sale. We, of course, do not know what quantities are involved, but understand this will be a state-wide policy.

The threatened strike of elevator workers in Chicago has been postponed for 24 hours, and meanwhile meetings are being held, and there seems to be a good chance for settlement.

Wheat did not hold its early gains in spite of the fact that some export hedges were probably taken out of the pit. Flour sales over the weekend were extremely light. The bean market was weak, and this is the kind of weather that is very helpful for late growth. Tomorrow there will be a private estimate on the crop, and it might show a very big yield. Corn is also making satisfactory growth, and as a matter of fact the only complaint we heard was bad weather in Canada over the weekend where there were reports of frosts in several sections of Saskatchewan, and they also had some heavy rains in parts of Manitoba and Saskatchewan with high winds accompanied by violent electrical storms. This may cause some damage from the very optimistic returns mentioned earlier in this letter.

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CHICAGO, 4 September 5, 1956

There was not a great deal of grain news overnight. We had some rains reported in parts of the Southwest, with half an inch at Norton, Kansas, 1 inch at Junction City, and nearly the same amount at Abilene. The five-day forecast is rather optimistic, with rain from 1/4 to 1 inch expected in most localities. Nebraska also reported some nice moisture, with 1 1/2 inches at Hastings, and about an inch at Omaha. Thus some of the drier territories are now beginning to get relief prior to seeding timefor wheat. There might be a few delays in corn harvesting, but this factor was almost ignored this morning, and more attention was paid to a private report when Galvin estimated the crop at 3,262 million bu, which compared with the August 1st official figure of 3,143 million bu. Everyone was pretty much prepared for the increase as we have had unusually good weather during August, and for the first few days of September. The bean crop also showed a large increase, with the same party forecasting a yield of nearly 469 million bu, which is nearly 27 million bu greater than the government forecast last month. This is by far the largest crop we have ever raised, last year having been the previous record, but at that time we only harvested 371 million bu, while the ten-year average has been 253.6 million bu. Thus it can be seen that we will need larger export outlets than ever before.

Not too much attention was paid to the other figures, although the spring wheat harvest promises to be 236 million bu, whereas the government had looked for only a yield of 217 million bu. So here again there was some optimism expressed, and our friends in the Northwest had been telling us for several weeks, and we mentioned it in these letters that conditions had been progressing favorably and many had expected this improvement. The oat crop by all standards will be considered a small one and a yield of 1,181 million bu is not only smaller than the crops we had for the past two years, but it is quite a shrinkage from the ten-year average production figure of 1,327 million bu. Yet with the big reserves and heavy production in Canada there should be no difficulty in getting sufficient quantities for all purposes. During the past year or two imports of oats from Canada have been decidedly smaller, but the import quota was removed October 1, 1955, and this might invite heavier arrivals from that country in case of need. Last season we imported only about 3 million bu from our neighbor to the north, but in the 1953-54 crop-year, we took 80 million bu from them.

Weather in Canada was not desirable, and our friends up there told us that the overnight frost was the severest that had been experienced thus far. Frost was general over the western two-thirdsof Saskatchewan, and over all of Alberta, with 2 to 4 degrees of frost reported. This may do more harm to quality than to quantity of the crops, although in the case of flax and oats yields may be cut. It is a little too early yet to have definite views on this subject. Rains in the U. S. overnight prevented the country from selling soybeans, and weather is an important factor now as it pertains to the nearby delivery. Persistent rain might, of course, widen the premium of September over the price of the deferred.

Primary receipts of wheat amounted to 1.8 million bu, which was practically the same as last week and compared with 1.5 million bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 193,000 bu.

Trade was not particularly active, although there was some selling after the private estimates were released. However, the return of wet weather to the Corn Belt caused some covering of both September beans and September corn, and those futures gained on the deferred months. By the same token, it stimulated a little buying of the new-crop futures with the result that the close was higher.

As far as wheat was concerned, there was no important feature except some commission house selling, and with the slow flour demand and nothing particular reported in export circles there was very indifferent support. The export sales of flour are moderately better, but the trade apparently is waiting for a pick-up in the sale of wheat, and as we mentioned yesterday, this may take time to develop. We heard that Commodity had sold exporters 1 million bu of milo, and it was also claimed that Japan had bought two cargoes of Pacific Coast wheat.

The State reports were of about the same tenor in the Southwest, where it has been very warm; further deterioration was claimed, and sorghums on dry land may be damaged beyond recovery.

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CHICAGO, 4 September 6, 1956

Early in the history of this country 9 working persons out of 10 were engaged in farming. Today, only 1 working person out of 10 is in farming, but the great changes which have taken place during that period due to technological developments, better seeds, improved fertilizers, etc have made it possible for many young men to go to the cities and engage in industry, which otherwise might never have been developed to its present stature. Today, we find that there are 12 million tractors, cars, and trucks on U. S. farms. There are a million grain combines; there are 700,000 mechanical cornpickers, and over 700,000 of our farms have milking machines, but in order to make the adjustment to present-day conditions, farming has become big business. The average investment per worker in farms of this country is more than $14,000; the average investment per worker in manufacturing industry is a little over $12,000. This is probably one of the reasons that small farms have had a difficult time competing with the larger ones. Our cropland base today is about the same as it was in 1920; for every 10 farmers we had then, we have only 7 now. Yet our people, even though there are 60 million more, have been eating in recent years better than at any time before.

Before our market opened this morning, there had been some rains reported over the corn belt, but they were mostly in northern Illinois and northern Indiana, and the forecast is for clearing skies, and it will probably be considerably cooler. However, a few scattered showers will probably occur in southern Illinois and over parts of Missouri. There is a chance, according to the early forecast, for some scattered frost in southern Minnesota and northwestern Iowa tonight. In the Southwest, there was some rain in Oklahoma, but it was confined mainly to central and eastern districts. They also had an inch of rain around Topeka, Kansas, but after the long siege of dry weather there are millions of acres that still need a good soaking. In Canada heavy frosts were reported in Saskatchewan but to the west, weather has turned warmer and very little rain was reported. Thus there is less apprehension except for what damage may have already been sustained. Our friends in Canada tell us that the Saskatchewan Pool, which has a very comprehensive reporting service, has estimated crops for that Province at slightly less than the government, and so we may finally have a situation that even with some adverse weather, this year's wheat crop will be somewhat larger than last. In any case, crop and carryover of wheat could still be around a billion bu, which is a large figure for a country with a comparatively small population.

There was some export business reported in the early trade, Austria having taken a cargo of spring wheat and also a cargo of U. S. barley. They also purchased one cargo Manitobas.

Primary receipts of wheat amounted to 1.6 million bu, but Wichita was missing. This compared with 1.7 million bu last week and 1.2 million bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 235,000 bu.

Markets had a firm undertone almost from the start, with the exception of beans. The strength in wheat appeared to be largely due to local buying, and offerings were light, so that the line of least resistance seemed to be on the constructive side of the market. We did not hear of any export business that would have influenced Chicago stocks, but the fact of the matter is that wheat in this market is not too far out of line with the New Orleans export price, which seems to be the cheapest hard wheat in any export position. This in itself is giving confidence to longs, and has not only brought buying into the market but caused short-covering in September with the result that all carrying-charge spreads narrowed considerably. There was also some local selling of July wheat against purchases of December, which affected that spread relationship.

In corn it was also the September future that was the strongest, and with the tight cash situation a number of buyers were playing for an even greater widening, and there was a considerable amount of spreading in the pit, which carried the nearby future higher than the distant months. Spot corn sold from 15 to 15 3/4 over September, which was about the widest premium thus far. Rye was strong both here and at Winnipeg.

There was only a small amount of spring flour sold overnight and extreme quiet persisted in hard and soft winter flour sales. Outside markets did not show nearly the gimp that we did, and in fact, they lagged most of the day.

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CHICAGO, 4 September 7, 1956

Secretary Benson in a recent talk called attention to the fact that last year in the corn belt more than half the farmers decided not to comply with acreage restrictions. In other words, they voted to stay out of the Price Support Program and thus avoided the acreage allotments that would further unbalance farming operations. He went on to tell that the large amount of non-compliance corn knocked down the harvest-time price to distorted levels, and he predicted that this would not happen in 1956. Under the new authority, there is a secondary support price for non-compliance corn, and while it is at a lower level than the support for corn grown within acreage allotments, we believe that it is an item which this year must not be overlooked. It may be that more traders are taking cognizance of this $1.25 support level, and for the last few sessions there has been less pressure on new-crop futures. Of course, there have been other factors also that came into the picture: First, it was the great strength in the cash corn markets and old corn is bringing tremendous prices compared with the new crop. While the carryover in corn will probably be a record high on October 1st, the bulk of it is in government hands, and we find that free supplies are next to nothing.

This morning there was also somewhat of a weather scare when they reported the lowest temperatures around Chicago that we had ever had on September 7th and some frost in Wisconsin. Generally speaking we do not think that low temperatures have done much damage. For example, in the Northwest thermometer readings for the last twenty-four hours were the lowest at Bismarck and Williston, North Dakota, where temperatures of 38 and 37 respectively were registered. Elsewhere readings were a little higher, and after tomorrow it looks as though some moderation could be expected, although generally speaking temperatures will be 2 to 4 degrees below normal for nearly all regions, and it will be mostly clear, with hardly any rain expected even in the five-day forecast. In talking with the Weather Bureau they told us that the coldest temperatures last night were probably in northern Wisconsin, but the weather back of this cold front seems to be diminishing with a change of possibly 15 degrees in sight; so the worst of the cold spell is undoubtedly passed. They also told us that east of here there would be a drop tonight, but that no dangerously low degrees are expected.

When our markets opened this morning there was general buying, and beans were also higher, but apparently some shorts protected themselves, although there was also some commercial buying and there may have been business based on last night's low closing price.

We heard that Commodity had sold a million bu of oats at prices ranging from 65 to 66 3/4¢ FOB Atlantic, and late yesterday they also sold some corn, some barley, and some rye.

Primary receipts of wheat today amounted to 1,812,000 bu; this compared with 2,138,000 bu last week, and 1,576,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 180,000 bu. When the visible supply of wheat is posted on Monday it will compare with a decrease last season of 410,000 bu.

Our markets all opened on a firm note, and possibly the weakness in stocks and the tense situation in the Suez caused some buying of grains, but in our opinion this was not the main factor. At least in corn and beans the trade paid more attention to the cold temperatures, but later on there was less apprehension and it now looks as though we were in for a period of somewhat warmer weather. We heard the same from Minnesota, although they also told us that corn has about two weeks to go yet before it will be out of frost danger. Otherwise, they add that they may have certain grades that would not be acceptable for the loan and that might pose a problem to farmers in that area. Flour demand is very slow, and according to The Southwestern Miller sales are down to only about 15 to 20% of capacity in the Southwest, but in the Northwest business is slightly better, although still only up to 35%. Buyers' ideas are well below present levels, and instead of adding to contracts the tendency is merely to draw on balances.

Corn was reasonably firm again, but there was some profit-taking on advances and best prices did not hold. The same was true of beans, but after some of the urgent buying had been satisfied there seemed to be some profit-taking before the week-end, and a good many people reasoned that even if we lose 10 million bu of beans because of adverse weather it would still be by far the largest crop we have ever raised.

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CHICAGO, 4 Sept. 10, 1956.

There has been a good dealof bullish sentiment in the wheat market if for no other reason than that it was generally realized that the return of export business to private hands would take much larger quantities of wheat out of our commercial supply. We believe that we can take credit for having been as early as anyone in pointing out the constructive features of this program. We want to say at the outset that we have not changed our opinion as to the fact that the price level will be considerably influenced by having the grain sold out of private stocks instead of from government accumulations, even assuming that the next carryover would be about the same as the last. On the other hand, one must take into account that a year ago at this time wheat prices were very much lower than they are at present. As a result of this, impoundings were very heavy. This, too, added to the artificial aspects with the result that even though a billion bushels was held in the reserve stock, the bulk of the wheat belonged to the government and very little was privately owned. A year ago today September wheat was selling at about $1.95 per bu and March wheat was selling at about $2.01. We realize that there were advances in the market later on but the point we are trying to make is that low prices prevailed during the period of harvest, and consequently, the farmer found it more to his advantage to take the loan. We are wondering when the impounding figures are finally released on this year's crop, whether we may not have a larger stock of free wheat which might to some extent offset the amounts that go into the export program. Some of these arguments may be difficult to prove until we get further into the crop season. All we can say at this time is that on July 15th there was 44 million bu wheat impounded and that had been a pretty large amount for the first month of the program except that more recently prices have risen and it is our feeling that a change may have occurred. We have mentioned this at great length because we think it is something that may have quite an important bearing on the market as time goes on.

Before our market opened this morning, there was not too much to guide it. There had been mostly clear weather and warmer temperatures over the country. A few showers are indicated for northern Illinois and possibly the central sections of the state but in the main there is no great amount of precipitation in sight, and temperatures may be a little below normal, but at least the threat of frost seems to have disappeared. Corn opened rather firm while other commodities were lower and it may be that with non-compliance farmers able to get a loan of $1.25 this year we may have more attention paid to artificial aspects, and as a matter of fact we can see just the reverse situation from wheat: namely, that a larger percentage of corn could go into the loan. CCC announced its corn sales for the week ending August 29th, which were 86,000 bu. The total since October 1st is 111 3/4 million bu vs a little over 123 million bu a year ago.

According to The Southwestern Miller 6 cargoesof gulf hard winters are to be booked to Greece September12th, and they also claim that some small amounts of flour were sold to the Americas. There is the hope that France may take 40 million bu wheat from the U.S. this season, but there is some doubt as to whether this will be permitted under P. L. 480 because of a previous State Department position on the French bilateral tradedeal with other nations.

The wheat visible showed a decrease of 1.1 million bu, and total remaining stocks are 405.5 million bu, which is nearly 13 million smaller than last season. The corn visible decreased 430,000 bu, leaving 44 million bu in various markets against only 19.6 million bu a year ago. The oat visible decreased 1.3 million bu. Soybeans decreased 477,000 bu, most of the decline having been right here in Chicago. Our local wheat stock has increased to 17 1/2 million bu, our corn stock in Chicago has declined to 11.6 million bu, and our bean stock is down to a little more than 1 million bu.

There was a little buying of corn futures early, but this market gave ground when the rest of the list showed signs of weakening. Wheat has had a rather sharp advance in recent weeks, and there is a total open interest of 118 1/2 million bu. It would not surprise us to see reactions unless we get some sizeable export orders in the near future. They are still paying very high premiums for the cash corn. Not too much attention was paid to this factor today, although September firmed;with the fine weather over the belt there seemed to be little liquidation of new-crop months. Beans declined early more than other commodities here on the trading floor, but there were good recoveries, and it may be that some export business is in the offing on sharp breaks.

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CHICAGO, 4 September 11, 1956

Secretary Benson addressed the Grain and Feed Dealers National Association at Chicago this morning as they celebrated their 60th Anniversary. He began his talk by saying: "It is gravely urgent for all of us that we keep striving toward the objective of a prosperous, expanding, and free agriculture in a peaceful, prosperous, and progressive America." He called attention to the fact that in our own generation we have seen the government move in and take over in the name of economic security and that never before in our history have so many people been inclined to look to the government to call the signals. "Twenty years ago," he said, "the maximum borrowing authority of CCC was \$100 million. Today it is \$14.5 billion -- 145 times as much as in 1936. That tells the story of how government has moved in." CCC is in ownership or has under loan nearly a billion bushels of wheat and more than a billion bushels of corn. He complimented the grain trade on its magnificent response to the call of government for more storage space to take care of the mounting surpluses. He pointed out that commercial storage expanded by 3/4 billion bu between 1951 and the present time, and that construction still continues in many areas. As in his previous speeches Mr. Benson placed great reliance on the Soil Bank and only lamented the fact that Congress had enacted the program so late that it was not fully operative in 1956. He hopes that through its accomplishments farmers will be able to obtain satisfactory prices in the marketplace rather than through default of loans. He feels that only when this goal is reached price supports may be restored to their basic function intended by legislation: that is, to provide for the orderly marketing of farm commodities, and he enthusiastically said that only then would the government be able to get out of our hair and to stop all the activities which directly interfere or compete with the traditional marketing functions of the private trade.

He also spoke of the various exporting programs that had been instituted, especially the one with India for the sale of \$360 million worth of agricultural commodities over a three-year period, and pointed out that in the past fiscal year exports of grains were up 33% in value over the preceding year. Probably the most encouraging statement made by the Secretary was contained in the one sentence, which said: "As you well know, we have encouraged the trade to propose ways to relieve us of merchandising activities which interfere or compete with private business and the trade has responded. Whenever feasible we have adopted these proposals."

Secretary Benson received a big hand when he told the grain trade that in spite of the billion-bushel elevator capacity which the government owned, that it was their philosophy that the government should get out of the storage business as soon as, and as far as, it is feasible to do so. When the need for government-owned storage facilities declines it is their philosophy that the government should reduce its ownership of such facilities. The government, he said, should not be in business in competition with its tax-paying citizens.

Our markets were not very active today. Wheat for quite a while was indifferent and paid very little attention to the heavy impoundings that had taken place from the beginning of the crop movement to August 15th. Nevertheless, there is 108.7 million bu of wheat under loan. This compares with only 47.4 million bu a year ago, and during the last 30 days there has been an increase of 64 million bu, which is quite impressive. It may be that farmers have rushed into the program faster than last year, or it may be that the government's compilations were effected more rapidly, or it might even mean that more farmers are taking advantage of the loan, but in any case it behooves one to watch these developments, particularly with the heavier drain on free supplies under the new export program.

After the close of the market this afternoon we shall have a government report giving production of all grains except winter wheat and rye. However, no important changes are expected. It was very quiet today insofar as flour business was concerned, but with a good many grain men here in Chicago for the Convention, this may have had something to do with it. Cash corn is still bringing a big premium over September, and the September future is selling far above the price of December, all of which goes to show what can happen when such large quantities go into the loan, and we are finding now a temporary shortage in the midst of plenty. It would appear from the figure that there is only about 219,000 bu of free corn left in Chicago. On the other hand, it will not be long before new corn comes on the market in heavier volume. Beans were firm even though meal and oil prices were weak.

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CHICAGO, 4 September 12, 1956

We pay tribute today to the Minneapolis Grain Exchange on its 75th Birthday. That institution, like other grain exchanges, has always kept pace with American agriculture. A free market is an expression of the ideals of Democracy which has made America great, and we appreciate this all the more when the economic lights in many other parts of the world have been dimmed so that they do not enjoy the same freedom that we do in this country.

After the close yesterday we had the government report, and it was, indeed, a bearish document. Many people had recognized that the outlook for corn and beans in Illinois had been extremely bright, but we had also been warned that some of the fringe states had suffered setbacks due to August droughts, so probably few people expected the great enhancement which was reported. As a matter of fact the corn crop promises to be nearly 200 million bu greater than a month earlier, while the soybean crop will be a record for all time, with an expected yield of 462 million bu, which is about 91 million bu greater than the previous record in 1955. Looking at the overall picture, the prospect for the total outturn now looks only moderately below the high level of last year. Even spring wheat made a substantial gain of nearly 28 million bu, and there were increases also shown for such crops as flaxseed, barley, potatoes, dried beans, and tobacco. The hay crop showed a slight improvement. On the dark side of the picture we had a sorghum crop which was affected by the intense heat in the Southwest, while there were also some reductions in cotton, rice and sugar cane crops. Actually everything that was grown in the South Plains or other southern areas seemed to have been stricken by drought and heat. We do, of course, have to contemplate some possible damage from frost if it comes early, but this is hardly a factor now, as even the five-day forecast is quite optimistic for moderate temperatures, and not much rain except possibly some showers Northwest.

The production of all wheat is now estimated at 967 million bu. There was no fresh estimate for winter wheat, nor will there be one until December, but on the assumption that the figure then will not vary much, we can start to make a few calculations as follows: Domestic wheat consumption is estimated to be about 611 million bu, impoundings thus far are about 108 million bu, and while somewhat premature to guess what exports will be out of free stocks, a figure of some 125 million bu might be fairly accurate. Thus, we have a total on this side of the ledger of about 844 million bu. Since most of last year's crop was impounded, we have to rely largely on this year's production, and thus figure at the present time that free supplies at the end of the crop year would be in the neighborhood of 123 million bu. Consequently, any additional large movement into the loan might have quite an influence on the market, although in these projections the time element is important as both domestic consumption and possible exports will not cut into free supplies except at a gradual rate.

Primary receipts of wheat amounted to 1.7 million bu which was a little less than last week, and compared with 1 1/2 million bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 447,000 bu.

Trade was again on a rather moderate scale, but naturally after the bearish government report there was some selling, and even oats underwent liquidation, with the crop now estimated at 1% larger than in August, but yet it is 23% less than last year. The bean market, after early weakness, firmed up, and there is no pressure yet, although some beans are being cut around the Bloomington area, and we think before long there will be some selling even though prices now are somewhat below loan levels. Wheat prices seem to be holding almost better than any other commodity, and if the analysis which we gave earlier is correct we might run into an artificial situation later on. This, of course, will take time to develop, and it may be far too early to base calculations on ultimate results, particularly as the market has been going up for some time, and there is a large open interest. While corn is apt to sell lower when the movement is actually on, one must bear in mind the secondary loan of $1.25 for non-compliance farmers, which may deter some traders, and may also prevent such heavy liquidation as we had last season. On the other hand, this is the second largest crop of record, and it remains to be seen whether there will be sufficient storage to go around. We rather suspect that in some areas at least there is going to be some country selling.

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CHICAGO, 4 September 13, 1956

Secretary Benson spoke last night before the Minneapolis Grain Exchange members at their 75th Anniversary. He told those present that: "As a nation we should leave to private enterprise those things which private enterprise is willing and able to do. I believe that continued substitution of government for private trade would mean, in time, the socialization of agriculture and the end of freedom as you and I know it." The Secretary pointed out that the Minneapolis Exchange records showed that they handled 325 million bu grain last year but that Commodity Credit Corporation of the U. S. acquired about 700 million bu grain, which was more than twice as much as was handled by that body. During the past year 90% of our wheat export sales came from CCC stocks, but fortunately this has changed now, and as Mr. Benson said he does not want to see the government dominate markets.

There were overnight sales of 6 cargoes wheat to Greece and possibly some other business as well, but the hedges were easily procured in the broad market which we had this morning, which is evidence of the expanding trade again in wheat futures, and which, in our opinion, will flourish under the new export program. On a smaller scale we had a similar situation in corn, with hedges covered against business to the U. K., and certainly this is a healthier situation than if our government would establish itself in the grain business and be the sole seller.

There was some moisture overnight in the Northwest, but elsewhere it was mostly clear. There is a chance for some scattered showers over the corn belt, although rains will fall mainly in the northern sections. Illinois is in line to harvest the largest corn crop in its history. According to the recent government report we shall have a yield of 586 million bu against a ten-year average of only 467 million bu. There is naturally some concern as to whether there will be enough storage space to accommodate all the corn farmers may wish to impound. Thus we cannot assess fully what will happen when the movement starts in earnest and how much will have to be sold.

Our advices from Canada were not so optimistic with respect to weather. In that country the amount of wheat gathered so far this season is rather small compared with last. They had some cold wet weather again in the Prairie Provinces and temperatures dropped as low as 21 degrees in northern Saskatchewan. Unexpected rains fell in southern Alberta and southern Saskatchewan, and while these were not heavy they did nevertheless interrupt harvest operations.

Primary receipts of wheat were not burdensome and amounted to 1,670,000 bu. This was practically in line with both last week and last year. Stocks at Kansas City and Minneapolis so far this week show a total increase of 628,000 bu.

Trade was a little better particularly in wheat, and as we mentioned, there was heavy covering of futures early in the session, but buyers were easily accommodated, and the market functioned well. During the past week shipments of wheat and flour, according to Broomhall, amounted to 8.2 million bu and since July 1st they have totaled 98 million bu, whereas a year ago for the same period we had shipped only 54 million bu. To show what is happening elsewhere, we point out that since August 1st five of the large exporters have cleared 110 million bu, which compares with 81 million the yearprevious. Here at home we exported 2.3 million bu of corn during the week, and since October 1st we have shipped 102 3/4 million bu which compares with 82 million bu in 1955. Soybean exports for the week were somewhat smaller, but since October 1st we have cleared 63 1/2 million bu, which exceeds clearances the year before by 6 1/2 million bu. September wheat was offered a little more freely today, but the deferred futures were firm, and December sold at a new high. It may be that wheat will have to stay at or above the loan level for a time to attract offerings from the country, or at least to prevent further heavy impoundings. Corn was a shade easier, but the cash basis was strong at 18 1/2¢ over September. The bids for the deferred months were a little more indefinite, and it remains to be seen how early the harvest movement may be. The feature in beans was the weakness in September, but, of course, we have 1 million bu of beans in Chicago and millions more at our door-step awaiting harvest.

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CHICAGO, 4 September 14, 1956

There is growing faith in the grain trade that corn and beans have had sharp breaks, and that despite the large crops, purchases should be made with a good deal of emphasis being placed on the fact that impoundings will be large and that consequently offerings on the free market will be limited. There is no doubt that over the years farmers have learned to use the loan more advantageously, and as Secretary Benson has stressed on numerous occasions, farmers are growing crops for storage rather than for consumption. Nevertheless, it should be noted that according to USDA studies, it has paid farmers in the past to store beans in four out of five years. This, of course, is due to a number of factors. First of all, there has never been a large carryover reserve in beans from one crop to the next, and consequently there has been considerable hunger on part of processors to get the early supplies following a harvest movement. Secondly, when the first run of beans has subsided many of the plants have become impatient and have bid prices higher. Modern processing plants have such a high capital investment and skilled labor requirements that they cannot afford to wait around to get beans at their own price. There have been any number of occasions where even when the conversion costs were unprofitable they have continued to grind. Last year when the crop was the largest ever reaped up to that time, the market was greatly helped by government allocations on oil, which in addition to the heavy crushings gave us a substantial demand for product. The thing that puzzles us the most is that with a soybean crop in Illinois of 128.5 million bu, the largest ever raised, and a record corn crop of 586.6 million bu, whether all farmers will be able to find space to protect these commodities from the elements of weather until such time as the price level improves. For the time being, however, it must be noted that there are no important offerings of beans and rather many farmers are requesting space for storage in order to obtain loans.

Before our market opened this morning, there had been a few reports of rain over the corn belt, but nothing very heavy, and while some scattered showers are expected with temperatures probably a little under normal, it seems to be almost perfect for late development of crops. In Illinois about 70% of the corn is said to be out of frost danger. As for beans some have been harvested in southern Indiana and southern Illinois. However, it appears that in most areas combining will not get under way until about the normal time, or somewhat later than 1955 when dry, hot weather in August and September hurried harvest along.

There was also news that USDA had authorized India to buy 29 million bu wheat or flour from this country between September 20th of this year and August 31st of next. Sales under this program will be made by private U. S. traders. Authorizations on this business are issued upon receipt of application from the government of India, and to the extent that hedges are lifted from the market it will naturally have a sustaining influence on prices, but the buying will probably be timed for intermittent periods. We heard this morning that Commodity had sold exporters a million bu rye at $1.35 3/8 FOB Atlantic. In addition, they also sold 200,000 bu corn and 94,000 bu barley.

Primary receipts of wheat amounted to 1,764,000 bu which compared with 1,812,000 bu last week, and 1,454,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 825,000 bu. When the visible supply of wheat is posted on Monday it will compare with last year's increase of nearly 3 1/2 million bu.

Wheat was strong almost from the start, and the carryover feeling was a little bullish on the theory that further export orders would take hedges out of the pit. One of our friends in the East, well conversant with the situation, reminded us that as far as the India business is concerned, it undoubtedly will be worked out of the Pacific Coast as in the past, and would therefore have little bearing on the futures market since that wheat is not hedged. However, others point to the fact that it is still very dry in the Southwest, and that with reduced acreage we may not raise over 700 million bu of wheat next year, which would mean that we would have to cut into our reserves, which would require a high price under the formula to get wheat out of government stocks for domestic usage. Portugal bought a cargo of hard winter wheat.

Rye was also very strong, and surged ahead with smaller gains at Winnipeg. The main feature in corn was the strength in September, and the fact that the spot market was selling very high. We would be loathed to forecast the outcome when trading ceases on Wednesday, although anybody taking delivery may not get his corn tendered until the last of the month, and might soon be in competition with the new crop. Therefore, the situation still is very uncertain. In oats there was some commission house buying, and locals who sold early apparently covered later.

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CHICAGO, 4 September 17, 1956

We have been studying the destination and origin of wheat that went through export channels last season, and with the exception of 36 million bu privately shipped, everything else came out of government stocks. The donations of which we heard so much were not particularly large, and to foreign recipients 2.6 million bu was shipped, but the figure which impresses us, although it is no great surprise, is the amount that went through international barter: namely, 80 million bu, and this has really grown into a very large business. Other export sales, including non-commercial sales to foreign governments, amounted to 204.8 million bu, which was by far the largest item on the list, but in any case the year that just closed was one that will record probably the largest clearanceswe have had in several years. We would not be at all surprised if in the coming season that figure might be exceeded. We note, for example, that even though the business is now being handled, insofar as possible, through private sources, the government is still issuing authorizations to various countries, and one was granted to Pakistan for the purchase of $11.8 million worth of wheat or flour under P. L. 480. This was announced on September 10th and at practically the same time the U. S. also entered into an agreement with Israel to finance the sale of certain agricultural commodities for a total of $10.7 million. This brings the total value of all transactions to Israel to about $50 million. It can thus be seen that transactions of this sort, together with the large one to India, will step up our exports to quite an extent, and this may become all the more important at a time when acreages are being cut under the Soil Bank Program.

Should it remain so excessively dry in the Southwest, a good many more farmers will probably put their land into the Bank rather than to take a chance of securing a poor crop next summer. In the past producers have gambled on weather and some have sown their crops very late, while others relied on winter moisture to germinate the seed, while in one extreme instance we recall that it was not until spring that the seed actually germinated and we still had a fairly good result. Nevertheless, working from both ends and shipping all that is possible and cutting the acreage to about half its former size, we believe that the USDA can rightly predict that the end of the big surpluses is definitely in sight.

There was not much in the weather over the week-end. There had been a trace of rain at Amarillo. There was about 1/2 inch rain at Bloomington, Illinois Saturday night, but elsewhere there was practically nothing of importance, and the forecast is for mostly clear skies with temperatures probably ranging from 4 to 6 degrees below normal.

According to Broomhall, advices from Europe continue to stress the lateness of harvest in a number ofcountries, and there is also the possibility that much grain will be inferior for milling use. They are getting fairly good yields in France but the quality of wheat is not good, and same might be said for Western Germany. Thus the demand for high quality wheat may improve. In Argentina, weather has been favorable over most grain zones, and big yields are likely, but harvest is still too far away to make any accurate predictions this early. It was reported early that the U.K. and the Continent had bought some parcels of corn, and there was a little pick-up in the soybean bookings for October to November shipment, but corn offerings were still extremely light.

Chicago wheat stocks for the first time showed a fairly large decrease, which represented shipments to New Orleans from this market. Remaining stocks amount to 16.8 million bu. Corn stocks locally were cut to 11 1/2 million. There was not much change in oats or rye, but our bean stocks declined 340,000 bu., leaving 749,000 bu here.

Markets were not too active, and wheat prices did not change a great deal except for the July future, which was very strong, and apparently the dry weather Southwest and the Soil Bank are having their influence. Rye was up several cents. With the exception of September corn, which ruled strong again, that market was rather indifferent. The bean market was very strong, and after an unchanged opening it seemed that more attention was paid to discussions at Washington, at which it was stated that there was a greatly increased program for oil exports being urged under P L 480. The oil market was strong on talk of a 12¢ guarantee to processors if they paid support prices for beans, but this is all in the conversation stage, and nothing at all definite. We are convinced there will be a very active program to export oil on a big scale, but that, of course, is needed with the crop almost 100 million bu larger than the previous record one that was raised last year. Shorts covered on a large scale. The U. S. visible supply of wheat decreased less than a million bu. Corn decreased 1 1/4 million bu.

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CHICAGO, 4 September 18, 1956

The size of the crops is now pretty well known, and despite some acreage cuts, we are faced with heavy production, so that with favorable weather during August that permitted gains, the corn crop at 3,336 million bu is about 6% greater than in August, and appears to be the second largest of record. Soybeans, which were estimated at 462 million bu, representing a gain of 4% over August, are 24% greater than last year's record crop and 82% above average. Our wheat crop, while a little under the billion-bushel mark, is still very large, although by comparison shows a 16% reduction from average, as there was a period when very big yields were reaped, but, of course, the sown acreage then was much heavier than at present.

The question now arises as to what will happen under the Soil Bank Program when farmers are paid to raise less and when there is a real incentive to cut production. If it remains dry over the Southwest, we might even have many more acres retired from production than otherwise, and the farmer has until October 5th to make up his mind on this question. If we should raise no more than 700 million bu wheat next season, it is quite obvious that we would cut heavily into our reserve, particularly since we have found ways of stepping-up exports by selling abroad in return for foreign currencies. Thus we are convinced that a turn has come, and that gradually even our storage problems will become less acute. Until as recently as a few months ago, the government was still adding to its binsites for the storage of corn, and it remains to be seen whether all the corn that farmers wish to place under loan can be housed, but at least this may be the last season that situations of this kind arise.

Our overnight weather showed no improvement insofar as moisture is concerned. Even in the Central States where we have had relatively more rain than elsewhere, it is dry, and a depth of 15 to 18 inches below surface, there is no significant moisture, so that we could stand a general, good soaking rain even in these areas. The 30-day forecast is not at all optimistic in that respect.

We heard this morning that the 12¢ support for soybean oil was not even discussed at yesterday's Advisory Committee on the question of fats and oils with USDA. We were extremely careful in stating yesterday that it was merely a rumor and felt obligated not to suppress reports that were circulating rather widely, but now find that any previous considerations were merely conjecture or guesswork at best. The country offerings of soybeans picked up in volume this morning, and processors' bids were about 1¢ lower than last night. However, the country was not selling corn and September future opened very firm with some early trades at a premium of 15¢ per bu over December.

Favorable weather continued in Western Canada, with only some slight precipitation in the form of showers occurring in Northern Manitoba.

The Chicago corn-hog ratio as of mid-September was 9.8 compared with 10.2 a week ago, and 12.6 a year ago.

Primary receipts of wheat today amounted to 1,170,000 bu, which compared with 2,155,000 bu last week, and 1,412,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 234,000 bu.

There was very little feature to the wheat market; in fact, with flour business so very slack there was little commercial trade in the pits, and we heard of no export sales. September corn, as we stated earlier, was quite strong at the start. A number of houses took profits, and after some of the urgent short covering was satisfied the market eased, and the high premium of September over December was not fully maintained. It appears as though there were very little free corn here in Chicago, but if longs maintain their position we presume that some supplies will have to be brought here from other locations. The spot market was also a little easier today, and for the deferred positions there was even less urgency on part of buyers. Beans were the weakest on and after the opening when there was some liquidation by last-minute buyers of yesterday. However, the market had a fair rally and the fact that oil prices were fairly stable probably prevented much short selling

We do not know whether any one in Washington knows any more than we do about the prospects for handling the big bean crop, although we are fully aware of the fact that under P L 480 there will be great efforts made to sell oil abroad, and to that extent this will be a stabilizing factor. Of course, the crop is so much larger than any ever raised before, we will need additional help and continued heavy crushings to prevent a burdensome carryover.

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CHICAGO, 4 September 19, 1956

We should like to speak about the progress that has been made on American farms during the last few decades, and discuss research and science, which is now being emphasized not only in the Department of Agriculture, but in the Land Grant Colleges and in private industry. Since the beginning of World War II, we have increased our agricultural output by about 35%. This was done, roughly, on the same number of acres that had previously been planted, but it was accomplished with substantially fewer workers. Production per man-hour in agriculture has been more than doubled in the past two decades. Part of this was made possible because of substituting mechanical power for horses, mules, etc., but the bulk of the expansion and the increase in efficiency resulted from the rapid adoption of new technological and scientific developments. They took the form of new varieties, new crops, disease control, antibiotics, mechanization, plant food practices, nutritive developments, and a whole host of other advances. Where else in the world has agriculture progressed in this fashion? Where else in the world have they had this dynamic force which was built upon the bedrock of freedom? In the early part of our history 90% of our workers were engaged in farming. Today only 10% of our workers are in farming. This tells the story pretty clearly, but without such tremendous increases in efficiency, we could never have made either the agricultural or the industrial progress that has been achieved.

Before our market opened this morning, there was not too much to guide it. There had hardly been any rain overnight, and the five-day forecast isstill for mostly dry conditions, which is not a good picture, especially for the southwestern areas where it has been so very dry. Even around our part of the country we could stand a good soaker. The dry weather has, however, permitted progress to be made in harvesting beans, and a friend of ours South of Springfield told us that farm storage around his area was just about filled. Moreover, the harvesting of beans had not progressed very far, so that with a great number of fields still to be threshed, it was his opinion that storage would not be obtainable in sufficient quantity and that as a result farmers might have to sell a fair amount of beans. Other messages of the same type must have come here as we had a little more pressure on the September than was the case yesterday, and everyone realizes that with interest rates high and tight money it costs quite a little to carry a commodity from one delivery month to the next. Generally speaking, the soybean harvest is already well along, according to the Illinois weekly bulletin, and widespread activity is expected this week in the main soybean counties. Thus far they say only about 15% of the soybeans have already been combined.

For Iowa the weekly bulletin stated that dry weather was needed to mature and dry the corn and soybean crops, but that rain was needed to prepare the soil for fall plowing, seeding, and the growth of fall pasture. This is often the case at this time of year but it is difficult to satisfy all interests simultaneously.

Primary receipts of wheat were quite heavy and amounted to 2.3 million bu, which compared with 1.7 million bu last week, and only 983,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 425,000 bu.

The wheat market was a little lower at the beginning but it firmed up on lack of pressure, and of course dry weather all over the Belt is still a factor and prevents not only short selling but imparts confidence to those who believe in higher price levels later on. There was an embargo placed against shipments of rye from interior points in Canada to the Lakehead, and this caused strength in the Winnipeg rye future and some sympathetic advance took place here. The Canadian Wheat Board apparently adopted this measure to conserve on loading space to handle the grains that were in best demand. Here at home there was no pick-up in flour sales, and according to The Southwestern Miller there is no indication for any immediate improvement.

With the expiration of September futures, there were no great surprises except possibly on September corn that went out at a very big premium over new-crop. It seems almost a paradox that with well over 1 billion bu of corn carried over, which is four times the normal, that there should be a famine in the midst of plenty, but this is the way it has worked out with the heavy impoundings, and CCC not empowered to take advantage of the high price to liquidate. In beans, the September future went out at almost carrying charge difference, while September oats were quite weak, but after today there will be more emphasis on other factors.

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CHICAGO, 4 September 20, 1956

The daily weather reports from the Southwest continue about the same day after day, and the drought remains unabated in most of the heavy wheat-producing states. The weekly report for Kansas spoke of a further decline, and aside from the damage that has already been inflicted upon the sorghum and corn crops, it is now a question of how much wheat can or will be seeded, as in many places only a limited acreage has been dusted in. Later developments will depend on the rainfall that we get during the fall or winter months. They spoke of the limited amount of available pasture and range feed, which seems to be dry and unpalatable, and the consequence is that there is a larger number of cattle going to market. In Oklahoma the drought has been going on since mid-June and has continued now for another week, although showers received during the week were beneficial in a few local areas. Nevertheless, the inadequate moisture and high temperatures which prevailed for the past three months resulted in one of the worst droughts in history. Thus dry soil is delaying the wheat planting but some growers are seeding where moisture is favorable, while others are seeding wheat in the dust. Few people realize that water is first of all an agricultural resource. We generally think of water which falls upon the land as rain or snow, but actually we have developed great projects to provide water for irrigation. The benefit of these efforts has been widespread, new lands have been opened to settlement, cities have grown up. Most of the water provided for the irrigated lands of our western areas originates on national forests. The city of Los Angeles, for example, is reported to receive approximately 30% of its total water needs from water originating on the national forests of the upper Colorado River.

Before our market opened this morning, there was not much outside of weather to guide it. There had been some frosts in the northern tiers of the corn belt states, but higher temperatures are in sight, and while we do not ordinarily have a killing frost in this locality until about October 8th, there seems to be very little apprehension of damage, although it is possible that some soft corn may result although generally speaking 85% of the corn in Illinois is already safe.

According to Broomhall our wheat and flour shipments for the week were just less than 5 million bu, which brings the total for the season to 103 million bu compared with 61 million a year ago. World shipments since August 1st have also been heavier, and five exporting countries shipped 127 million bu compared with 95 1/4 million last season. Since October 1st, we have cleared 103 1/2 million bu corn vs. 86 1/2 million last year.

Canadian weather is a little better although the earlier frosts have taken a certain toll, and according to the D. B. S. crop report issued late yesterday, grades have been lowered in many areas, and there is still a lot of threshing to be done. With more warmth and sunshine field work is being speeded up following an extended cold and wet period.

Primary receipts of wheat amounted to 1.5 million bu, which was almost the same as last week, but compared with 1.1 million bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 512,000 bu.

Markets were very much more on the quiet side after the termination of September contracts yesterday. However, it was generally figured with the bean and corn crops either being harvested or nearly ready for harvest that there was bound to be some country selling, as naturally it will be impossible for everything to go into the loan. Locals were mainly responsible for today's decline, particularly in rye where stop-loss orders were uncovered, and that market had the sharpest reversal. Same was true in Winnipeg where yesterday's gain was wiped out this morning. However, there were declines in other commodities -- not so much for corn which held comparatively steady, and it will take a little time yet before we get an accumulation here in Chicago, but wheat suffered from lack of either export or domestic milling business. The nearby wheat futures were weakest while May and July held comparatively firm, probably due to Soil Bank considerations, and the continued dry weather. There were 257 cars of beans in Decatur today, showing that the crop is moving in somewhat better volume.

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CHICAGO, 4 September 21, 1956

Our government has made a rather intensive study of agricultural policies in Western Europe. Delegations from every country answered questions and provided information that gives us a rather complete insight into many problems that heretofore had not been known. As to the general aims it was more or less explicitly stated by all nations that they were aiming to make their agriculture sound, so that it would be a better contributor to the national income. The importance of raising productivity was well understood, and steps were taken wherever possible to bring about these aims. The importance of research and education were the main methods for the attainment of this goal. What we considered probably as important as anything was that most industrial countries realized fully the need for further movement of population out of agriculture and for productivity gains through mechanization and rationalization. There was widespread acceptance of the principle that while the general price should be made to cover the costs of reasonable income, this referred mainly to the well managed farms of economic size and not to the less efficient producer. While income parity for agriculture is realized in the U. K. and almost realized in Denmark and Sweden, it appears to be only a distant aim, or not even a practical consideration elsewhere.

Before our market opened this morning, there was not too much to guide it except the weather again, which seems to be satisfactory for the finishing of corn and beans, and in fact, each day brings reports of larger areas combining, so that before long there will probably be more pressure on markets. As is to be expected the early bean run will probably find a home and there may be a considerable quantity that is stored with the hope of possibly taking the loan, but this may change later, due to the overwhelming crop, which is nearly 100 million bu greater than last year's record. The Oil market, which opens before trading in grains and beans, was little changed, although it had been noted that Secretary Benson's aids turned a cold shoulder to processors' pleas that soybean oil prices be supported via federal purchases. This was really nothing new, however, and as a result it did not bring any surprises.

With no rain forecast for the Southwest during the next five days, we are reminded that it is getting a little late in the season, and that we may not have nearly as large an acreage as if the weather had been more propitious. From Wichita, Kansas, there were reports that dust was blowing and we are prepared now for very heavy Soil Bank deposits for 1957. This is confirmed officially by our agricultural experts, who tell us that farmers' interest is increasing and that more producers are signing up for what they call "winter wheat runs," and the quantity is not only considerable, but even sensational. Officials thus hope to chop 10 million more acres from wheat planting, and they say that cotton and corn growers are even leaning toward the theory of idling high production land. In the Southwest cotton producers figure they can save money by cutting off stiff irrigation bills.

Primary receipts of wheat fell short of the 1 1/2 million bu mark, but this was practically the same as was the case a year ago, but compared with 1.7 million bu last week. Kansas City and Minneapolis stocks so far this week show a total increase of 682,000 bu. When the visible supply is posted on Monday it will compare with an increase last season of 91,000 bu.

Trade was not particularly heavy, but there was a very good undertone to the wheat market. As we mentioned before, it is still bone dry in the Southwest, and the forecast offers no promise for relief. As long as this is the case there will be a good many traders on the defensive. As a matter of fact, both May wheat and July wheat today made new high records for the season, and undoubtedly there was some short covering. We have a program without precedent, and it remains to be seen what sort of a crop will be raised if winter wheat gets off to a bad start on a very small acreage. This could finally mean cutting rather heavily into our reserves, but it would take a high price to bring out the wheat under the government formula. It is still extremely dull in flour circles, and according to The Southwestern Miller bookings in the Southwest are only about 10 to 15% of capacity. Corn and beans would probably have been lower had it not been for the great strength in the leading cereal, but there was some buying in surrounding pits. Even the oat market came back after an extremely weak opening. There had been early stop-loss selling, and a good many people are mindful of the weakness with which the September future expired, indicating such slow demand--all this in spite of the very short crop.

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CHICAGO, 4

September 24, 1956

The most important item in the wheat market is still the weather. We have had periods before when it was very dry during the fall months, although many people in the Southwest believe that the present drought is about as bad as it was in the 30's. On past occasions the farmers had two choices -- either they dusted their seed into the ground and prayed for rain, or else they waited hopefully for improvement in the weather, so that they could seed sometime prior to a heavy freeze and thus get their wheat in the ground in time to germinate. This year, however, the situation is somewhat different. Many farmers who have had previous experience when wheat got off to a bad start and found that the crop the following summer was poor are now looking with one eye toward the Soil Bank, and they have until October 5th to take advantage of that program. So we may be faced with a situation of a sharply reduced acreage, part of which had been expected, but also the probability of a winter wheat crop next summer smaller than had been previously anticipated unless we get more than the usual amount of rainfall during the late fall and winter months.

In any case there is enough apprehension that buying has persisted in the market, and shortly after the opening most of the wheat futures went into new high ground. Should we get a greatly reduced crop of wheat next season, we would undoubtedly have to cut into our reserves, and as a matter of fact, if our export program continues on a fairly heavy scale, this is almost a foregone conclusion. As of July 31st, CCC indicated that their inventory amounted to nearly 950 million bu wheat, and financing loans accounted for another 67 million bu, so there was well over a billion bushels in government hands. Under the formula price wheat would still have to go higher to bring it out of government storage, and thus we believe, as we have indicated before, that we have definitely turned the corner with respect to the heavy surpluses that for many years have been pressing on markets. This is not to say that there is any immediate cure in sight. Supplies on September 1st remaining for milling, export, or carryover total 1,706 million bu. This was only 13 million bu less than the stocks a year ago, but at the same time was 400 million bu greater than the 1950-54 average. We can recall many years when our carryover stock amounted to only 250 to 350 million bu, and there was ample for all purposes, so that these billion-bushel carryovers are certainly not a necessity. However, in previous days most of the wheat was in free hands and not under government control

There was very little demand from abroad this morning and cables spoke of a dull situation, with fine weather all over Europe and this is the season when they should be bringing in their own harvests. Actually re-sellers in feed grain were quoted much below first-hand offerings, but no large business was reported.

The corn crop is maturing rapidly and most of it in Illinois is now free from frost. According to The Baldwin people a good freeze would do more good than harm, as it would reduce moisture more rapidly. Soybean harvest is in full swing with yields and quality fully up to expectations. Farmers seem determined to store their crop, if at all possible, and every available space is being utilized. All this in spite of record yields and production. Thus far it has been our experience that selling from the country has been very limited. The American Soybean Association points out that it is the prevailing impression in the trade that with prices at or close to the loan level, producers will be slow to market their crop. This even includes some areas where producers in the past have not been in the habit of storing.

The Chicago wheat stock declined 111,000 bu, which still leaves 16 3/4 million bu here in Chicago. Corn stocks declined very little, but the free stocks here are small and almost everything in our market is under government control. Oats increased 358,000 bu to a total of 7.3 million bu; rye showed a slight decline. In beans stocks increased nearly 1/2 million bu to a total of 1.2 million bu.

Markets were very firm. Beans and corn were a little weaker at the start but later responded to a higher wheat market. The latter in our opinion was also helped by some flour business overnight, and the general tenor of dry reports from the winter wheat states. There were heavier carlot receipts at Decatur, with 1,256 cars received over the week-end, but unquestionably the processors will be anxious to get the first run of beans. Old corn is still extremely tight, and big premiums are being paid, clearly indicating that we have virtually a squeeze occasioned by government impoundings. Oats were independently weak.

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CHICAGO, 4

September 25, 1956

There has been a great deal of reliance placed on the Soil Bank Program, particularly for its efficacy in cutting acreage of wheat. Mr. Benson recently predicted that farmers would retire about 6 to 7 million acres of winter wheat land to the 1957 Soil Bank, and this may finally work out according to his prediction, although the figures we have this morning, which are only prepared up to September 14th, show that 44,000 agreements of winter wheat acreage reserve were signed up covering a total of 1,755,385 acres under the plan. This, of course, would fall far short of the goal except that ten days have elapsed in the meantime for which no figures are available, and there will be an additional period of ten days during which time farmers may still make application. Be this as it may, it does appear as though other factors were tending toward a bullish picture in wheat, and there are some who believe that our exports this season may rise to a figure of nearly 400 million bu, which would be up about 60 million bu from the season just closed. This is probably based on the fact that shipments thus far have exceeded the clearances of a year ago. As an offset the export trade has been rather dull since it was returned to private hands, but we know of several recent engagements that have to be filled, notably shipments to India and other allocations that require heavy outward movement. Should that high figure be realized we can foresee a situation where at the end of the season we would again have artificial influences with which to contend.

We started on July 1st with a free carryover of only 39 million bu. Then there was the new crop of 967 million bu, and adding to that possible importations of 5 million bu, it would give us a total supply picture of 1,011 million bu. Domestic consumption is estimated at 611 million bu and under the increased figure for exports there could definitely be more than the 127 million bu taken out of free stocks, which had previously been counted on. By mid-August there had been 108 million bu wheat already impounded, and while prices now are at, or in some cases, above the loan level, we figure that there will nevertheless be a large addition to the impounded stock, all of which leads us to the conclusion that the carryover of free stocks on January 30th of next year will be very small. Another factor which has probably received more attention than any other is the dry weather situation Southwest and no improvement in sight, and while we appreciate that nature is often provident and averages out, we must have more than the usual amount of rain to overcome the subsoil deficiency which now exists.

Our bean market opened on a firm note, and there was no outstanding or aggressive buying, but the country is still not in a selling mood, and we hear that the holding tendency is quite general. Whether there will be enough room remains a question. We would doubt it. Meanwhile, however, processors are a little more anxious for beans, and altogether this caused some short-covering, particularly as prices were not very far from the lowest of the season. Better weather is reported in Western Canada and harvesting should be general, with increased hedging in flax and rye expected.

Primary receipts of wheat amounted to 1,802,000 bu which compared with 1,170,000 bu last week, and 1,513,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 208,000 bu.

The wheat market was rather firm at the outset, and the same factors were apparently at work. It is difficult, however, to move a market every day on the same news, and while everybody realizes it is very dry, some at least figure that one of these days the situation may change. However, we do not expect any sharp reactions until there is a definite change in the weather outlook. Beans were very strong on talk that farmers were leasing bins everywhere possible to hold the crop back. In any event, we know that the country selling is next to nothing, and considering that the crop is of bumper proportions, it is surprising that there are not more beans coming out.

Tonight the President will talk at Peoria on farm problems, and it may be that both farmers and traders are figuring that there may be something bullish spoken, although it is our opinion that the President will talk merely in general terms, not only of the accomplishments, but of the aims of agriculture under this Administration.

Corn probably for the same reason held fairly well, the cash situation is still the same, and there is hardly any free corn in our market. Flour business was only slightly better overnight, and with both domestic and export business so dull there is certainly no inspiration from either of those sources.

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CHICAGO, 4 September 26, 1956

In last night's talk the President did not promise any miracles, and if anyone had his hand extended hoping for immediate help, he must have been disappointed. Mr. Eisenhower did, however, claim that there was reason for confidence and stressed the fact that this was possible even without a nation being engaged in war. He pointed to the refusal of high officials after World War II to help farmers readjust their production to the needs of the peace, and called attention to the results which he said were tragic. It meant that the value of the government's stockpile of farm surpluses had climbed to $ 9 billion, and the cost of storage alone had been a million dollars a day, with farmers helping to pay the bill.

Inasmuch as a good many people had thought there might be some concrete promises made, there appeared to be a little selling this morning by those who had bought yesterday, but on the whole the President's talk did not have a great deal of market influence. Overnight weather was about the same as it had been. It remains very dry over the Southwest, and even other regions which generally enjoy more rainfall are finding that we have had a long period now without moisture, and the whole country needs a good downpour. Nothing of that kind is in sight but the weather people are simply claiming that it will be fair and somewhat warmer.

According to the Illinois weekly crop bulletin, 45% of the soybeans have been combined in this State. They say that a killing frost in several of the northern counties last week hastened maturity of beans, as well as of corn. At the same time it seems unlikely that a sizeable acreage of either crop was damaged by the frost.

The Agricultural Department has given some wheat farmers extra time to decide whether to sign up for the 1957 Soil Bank. Farmers who normally plant both winter and spring wheat may postpone their decision until spring. The liberalized regulations apply only to producers who planted at least some spring wheat during the crop-years of 1954, 1955, or 1956. Under this revised program no land already planted to winter wheat may be retired to the Soil Bank next spring.

Broomhall's Foreign Crop Summary was quite favorable and rapid progress is being made in completing harvest. There are, nevertheless, many sections that continue to stress low quality. Sunny, dry weather in France is a big help but much of the wheat is of low quality and unfit for milling, although the total outturn should materially exceed earlier forecasts, even though the crops will fall far short of last year's very big harvest. Warmth and sunshine over Western Germany is also helping but samples show high percentage sprouted grain. Italian weather is ideal for corn harvest; early crops have been fully gathered and some grain has already been sold for export. Broomhall also states that rains, which were badly needed in India, have come, and benefit was brought to autumn food grain crops and the soil is now improved for wheat planting and other crops.

Primary receipts of wheat amounted to 1,409,000 bu which compared with 2,370,000 bu last week, and 1,395,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 223,000 bu.

As we stated earlier, there were lower prices at the start for both corn and beans, but these markets rallied, and it cannot be disputed that there is a very tight holding tendency on part of farmers, which apparently has not only frightened shorts, but may have influenced also processors, as there was a good demand in the pit for November beans, and presumably for one of the larger processing firms.

According to U.S.D.A. feed grain carryover is likely to continue to rise in 1956-57. Total productionof corn, oats, barley and sorghum grain, estimated at 125 million tons, is down 4% from 1955, but slightly fewer animals will be on hand for feeding. Supply appears sufficient to meet feeding requirements and leaves a larger carryover October 1, 1957 than the record 44 million tons estimated for October 1 this year. Stocks have increased each year since 1952 when they totaled 20.2 million tons. In spite of this some people point to the very tight situation in corn, and insist that despite the record reserve stock, practically all of it is under government domination and that we may have extremely large impoundings again during the coming season. All this may have had some influence on those who bought corn and beans today, plus the fact that there was about 1 million bu corn sold to Germany, and there were some hedges taken out of the pit, which gave us the strength during the fore part of the session. One house that has been notably bearish on corn also was a good buyer today, and there must have been a heavy covering all around. Rye prices were somewhat weaker at Winnipeg, which had a little influence

here, although that market strengthened later with general buying in other pits.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 September 27, 1956

We find today that the 168 million Americans have a better diet and are more abundantly supplied with farm products by fewer workers on farms than was the case 80 year ago when this country had a population of only 50 million persons. We realize that some people deplore the fact that farmers have left the land for the cities, but we rather take the opposite view and marvel at the progress that has brought about such changes and has permitted more people to engage in the industrial fields so that we could have all the automobiles, washing machines, television sets, etc. that our nation desires. It is true that with fewer producers on farms farming has become a big industry, but we should not forget that many men who formerly had small farms now have large ones, just as in industry, some that are large today were at one time very small. It is a wonderful thing that under free enterprise both small business and small farmers can grow to be big. This does not mean that we have not encouraged small business in this country, for quite the opposite is the case. Our government supplies small business firms with much scientific information; they have loaned small firms $ 166 million to meet their requirements. They arrange for the free use of government-owned patents; they aid in the development of new products; they counsel on how to expand markets; they advise on efficient methods of management; they aid small firms in getting defense contracts, as well as contracts with other procuring agencies of government. Small business firms now are getting, dollarwise, one-third of all the defense contracts, and as we have just stated many of the small firms of today may be the big ones of tomorrow, just as the smallfarms of yesteryear have grown into the tremendous agricultural enterprises that we find scattered over the vast farm horizons. The main thing is that all business whether it be farming, engineering, or industrial building is essential and should be treated fairly and equitably, and that whether it be large or small should be encouraged rather than handicapped by any needless controls. Furthermore, it should be freed from any competition with the federal government.

Before our market opened this morning meal was very strong, and this aroused rumors again as to whether it might be placed under P. L. 480. We could find nothing definite but our inquiries amongst the export trade disclosed no fresh talks of dealing with beans. In any event the nearby demand for meal was strong and there was undoubtedly a good deal of short covering. When the bean market opened it was higher and there was a good deal of buying of the November future by a Northwest elevator concern. Other grains were not much changed, and in fact, early trad was rather light.

Weather was extremely dry everywhere and there is no likelihood of a change, at least for the next few days. There was some light moderate rain accompanied with snow, which was fairly general in Alberta, but indications did not point to its spreading eastward.

The country sold a little corn overnight but beans are still very tightly held and apparently farmers are trying to get everything they can into storage rather than to sell at present levels.

During the past week U. S. wheat and flour shipments were 5 1/2 million bu. The total since July 1st is 106.8 million bu, which is 42 million greater than a year ago. Total corn shipments since October 1st are 104 million bu vs 88 1/4 million bu last year.

New figures were given out by the USDA indicating that nearly 3 million acres of winter wheat land had been signed up in the acreage reserve, and thus in the past seven days there has been an addition of 1 1/4 million acres in the Soil Bank prograr

Primary receipts of wheat amounted to 1.6 million bu, which was a little larger than last week and compared with 1.3 million bu last year. Kansas City and Minneapolis stocks so far this week show a net increase of 113,000 bu.

There was firmness all around except for corn. Nobody could account for the improved sentiment except for the reasons we have given before, but there is very definitely a holding tendency on part of farmers, and beans are being offered very sparingly. There is also a good deal of talk that the government may do something to support the price in view of the big crop, but we do not hear of anything at all on that score. July wheat went into new high ground this morning and dry weather is still a factor. While the export trade is disappointing, there is some talk that business with Israel may come early next week. Flour sales were on a very meager scale. Corn in the spot market is still commanding a big premium.

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CHICAGO, 4 September 28, 1956

There has been a great deal of conversation of late about family farms and the readjustments that have taken place, some going so far as to call it a "new agricultural revolution." As the Secretary of Agriculture pointed out in a speech a few nights ago, a family farm to be successful, or in other words, one that will successfully support a family, can no longer be organized around one mule and one plow. Furthermore, no farmer can pay wages at present levels and then send his help out to work primarily with a team of horses. It would not even be possible for a family to have a decent living if he worked that way himself. So what has happened is that in order to produce a good living the efficient farmer provided himself with good tools. Perhaps he purchased a tractor and the appropriate equipment that went with it. However, to use these economically he had to have sufficient acres,or in other words, more land than in many cases he had originally; thus the size of the farm grew. Where else can a farmer obtain more land except by renting it or buying it from somebody else? As a result when 4 farms shrink into 3 or 3 become 2, it means that one family is no longer farming. These adjustments often occur because the families then left on the farms have a better chance to produce efficiently and live well.

We know that a good many people deplore the fact that there is a movement from country to city, but we have not yet seen an intelligent discussion as to how this might be remedied,nor do we believe that any thinking individual would insist that the farmers should do away with modern equipment and go back to the horse and mule so that the adjustments necessary to justify modern equipment would not be necessary. The trend toward fewer farms has been going on for some time. During the 20 years from 1933 to 1952, the farm population was reduced by more than 8 million persons. During each of the two past years, on the other hand, the farm population has increased. It may be that it has become stablized now although no one can be sure, particularly with scientific and modern techniques improving continually.

There was not much news to guide our market this morning. Weather remains about the same -- it is still bad in that dry conditions prevail over practically all sections of the country. There may be some showers Northwest, but very little precipitation is expected by the corn states, and the Southwest, which has been notably dry, continues to cause concern.

In export circles we heard that Egypt had purchased $ 15 million worth of Canadian wheat financed by this country. Israel bought 3 cargoes of corn and late yesterday France took about 7,000 tons beans. Next week may bring in some business in wheat, which thus far under the new program has been slow. Today a cargo of wheat is being loaded at Portland, representing the first one to be shipped to India under P. L. 480. All told about 130 million bu wheat will be shipped over a 3-year period. Most of this wheat has or will be grown in the Pacific Northwest and hedges will not have to be taken out of the market. The S/S Niko carrying this first wheat load will sail to Bombay and it will take 40 days to reach its destination.

Primary receipts of wheat amounted to 1,406,000 bu, which was practically the same as last week, and a little more than last year. Stocks of wheat so far at Kansas City and Minneapolis show a net increase of 24,000 bu. When the visible supply is posted on Monday it will compare with an increase last year of 1.3 million bu.

Trade was very light, and there was no spectacular news, but the noon weather forecast was again very bad for the Southwest. There was talk of wind blowing and the ground nearly pulverized, all of which would ordinarily have more market effect, although in wheat we have had pretty fair advances, and yet it was surprising that traders accepted this situation so calmly. On Monday trading starts in September, 1957, deliveries of grain with the exception of soybeans. There was not much feature to the bean market, except a little selling which was probably profit taking, and this was in anticipation of country selling over the week-end. CCC sold about one million bu of American rye at $ 1.41 1/4 at the Atlantic Seaboard. They also sold exporters some oats. Flour demand was still very quiet, although a slight pick-up is noted. Buyers are still reluctant to take hold and are hoping for a change in the weather.

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CHICAGO, 4 October 1, 1956.

After the close of the market on Friday we had new data with respect to parity, ratios, etc. Actually there was no change from the month before, as both prices received by farmers and those paid were down 1 point. However, the computation in wheat is not quite that simple, and when established for the various commodities we find that the effective parity for wheat as of September 15th was $2.44 compared with $2.43 the month before. By the same token, the parity for corn advanced 1¢ per bu, but there were quite a few commodities that were unchanged; in fact, some were a little lower due to fractional adjustments that were effected.

The whole parity system to us seems so out-moded that we hate to dwell upon the matter, although politically it has become quite a factor, even though there are only a small percentage of people who know what parity means, and even those who administer the formula and try to work it out from time to time have agreed with us that it is no longer a real barometer of actual relationships owing to the fact that it is weighted on bushel measurement and does not take into account the returns obtained from an acre of land, which after all is the important consideration. For example, as it is set up, prices are supposed to reflect a true balance for every bushel of wheat, or for every bushel of corn, or for every bushel of barley in comparison with what the family buys. However, with the modern techniques we are raising today 4 to 5 more bushels per acre than we did in the base period. In corn, with the use of Hybrid seed, we are getting anywhere from 12 to 15 more bushels per acre than we did during 1909-14, while in oats the yield per acre is up about 9 to 10 bushels, so that the entire parity concept is antiquated and untrue. As a matter of fact, it gives a very misleading picture to the outsider as to the relative welfare of farmers.

Before our market opened this morning there was not a great deal to guide us. We had a little moisture over the northern tier of the corn belt, but elsewhere the map looked pretty dry, and, indeed, the forecast is not very encouraging, except that a few light showers may occur over southern and western Texas, and there might be a little precipitation in southeastern Oklahoma. Elsewhere the weather map continues to be the same as it has been now for weeks--dry. Under weather conditions of this kind, however, it has been ideal for combining the soybean crop, and according to one authority about 80% in this state has been completed. Despite record production growers seem to be completely unconcerned about marketing, which is to say, they are holding tenaciously to their beans, and are using all the space they can find, which in some cases might even be a bedroom in the home. Last week as elevator space filled up they leased CCC tanks and quonsets wherever possible. Few people dreamed that with such record production the crop could be handled with such ease. It is probably fortunate that this is the case, as railroad cars are extremely difficult to get, although we understand that in spite of the large quantities held back that Decatur had a heavy run, and Chicago receipts totalled 1,300,000 bu including cars, barges, and trucks.

We learned this morning that the non-committed inventory of the CCC rye was nearly 3 1/2 million bu, which showed very little change from the week before.

Chicago wheat stocks decreased 327,000 bu, leaving 16.3 million bu here. There was a further decrease in corn stocks, cutting the total to 11.3 million bu, and of course most of it is in government hands. There was a good-sized increase in the local bean stocks of 2 1/4 million bu. We now have 3.4 million bu of beans here. This will further be augmented by today's heavy arrivals.

About an hour or so before the close there was a report from Oklahoma City, claiming that the Weather Bureau there was forecasting rains for the whole state except the three western counties, and that rains had already fallen at Fort Gibson, Oklahoma. This brought some selling into the market, as it was quite contrary to the earlier forecast. Beans were rather strong during most of the session, and the basis has been firm, with processors apparently more aggresive to buy. However, the futures market lost some ground when the leading cereal declined. A moderate flour interest had developed in hard winters on Friday, but little or no business was uncovered, and we saw little evidence of any mill buying here.

In Canada there was a fair amount of rye delivered, the total amounting to 1.1 million bu, but no oats and only 5,000 bu of barley.

The U S wheat visible decreased 337,000 bu, leaving 403.2 million bu in all positions vs 423.3 million bu last year. The corn visible decreased 211,000 bu, oats increased 177,000 bu, and beans increased 4 million bu.

DAILY MARKET LETTER

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CHICAGO, 4 October 2, 1956

The rains which had been forecast for Oklahoma late yesterday failed to materialize to any extent. There were a few showers, and there was some precipitation also around Dallas and Fort Worth, but over the main areas of the winter wheat belt the soil is still dry; in fact, it is parched, and it will take more than just ordinary rain to bring about much improvement. Even in our section of the country, we were nearly 3 inches deficient in rainfall during September, and the total for the year is about 6 inches, so it can be seen that Nature has not been too provident, but very often these things average out. We hope that if relief comes we shall have it before it is too late. In any case wheat, which had been depressed yesterday, recovered this morning when skies turned clear and the forecast was again unpromising

We also had a little bullish news in beans. The Agriculture Department announced that there would be no cut-rate sales with respect to the impounded beans that might come into government ownership. As a matter of fact, no sales will be made for either domestic or export use at less than the going market price, or the support rate, plus carrying charges. This apparently was intended to encourage soybean growers who at the present time are harvesting a record crop. With reference to this announced policy it has been pointed out that it does not differ from the program of last season when Commodity offered the 1955 crop soybeans at the market price basis in store, but not less than the 1955 loan rate basis point of production, plus 35¢ per bu.

We should like to refer to an older official publication of the USDA giving CCC list of sales for June 1956 which quoted soybeans available for domestic or export unrestricted use, market price basis in-store, but not less than the legal minimum price (1955 loan rate basis point of production, plus 30¢ per bu), and their July listing was at plus 33¢ per bu. We call attention, however, that during June soybean futures were at the $3.00 level, and in July they declined substantially with trading on the last day of July finishing at $2.49 and $2.52. We offer no explanation as to the meaning of yesterday's CCC announcement.

New York advised us this morning that the Chinese were expecting heavy bean tonnage available and not following U S advances. We also heard that 249,000 bu of soybeans had been shipped from this market, and are destined to Toronto. Undoubtedly there will be an outward movement from time to time, but by the same token we expect rather heavy accumulations here, although this morning the country was not offering beans heavily, and there is still very definitely a holding tendency.

We saw some buying in wheat recently that appeared to be lifting of hedges against export sales to Israel. The six cargoes that are supposed to be involved are not definitely confirmed, but it certainly looks as though part of the business at least had been put through.

In Canada, the weather has turned favorable again across the Prairie Provinces and farmers are attempting to complete their harvesting operations before the cold months set in. The export demand for Canadian grain continues rather dull, and we are constantly advised that there seems to be no reason for the price advances in Winnipeg rye futures.

Primary receipts of wheat today totaled 1,694,000 bu vs 1,802,000 bu last week, and 1,525,000 bu on comparable day of last year. So far this week Minneapolis and Kansas City wheat stocks show a net decrease of 6,000 bu.

According to The Southwestern Miller only a small amount of hard winter wheat flour was sold overnight, while business in spring and soft flours is almost at a standstill. We understand that the sale of 6 cargoes of wheat to Israel was completed. It was all hard winter wheat to be shipped out of Gulf ports. There seemed to be some buying on part of at least one exporter. However, the market as a whole was very listless today, and new incentives are wanted. New crop months of wheat were relatively strong compared to other futures -- no doubt on continued dry weather in the Southwest. Winnipeg markets were also weak today. There were 217 cars of new beans at Decatur today, 73 cars in Chicago, and in addition about 1/2 million bu was received here by barge and truck.

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CHICAGO, 4

October 3, 1956

In a political year, such as this, a great deal is said about agriculture by both parties, and we are getting considerable comment on the fact that farmers are not in all cases receiving parity. As we have mentioned so often, the comparisons that are being made are not accurate because parity does not take into account modern technology. Actually agriculture has made more progress during the past 50 years than it did in all prior recorded history. Experts believe that if current trends continue agriculture may make more progress during the next 15 years than it has during the past 50. This writer recalls that even 40 years ago many farmers did not even permit themselves the luxury of sugar. Almost everything that was eaten or worn came from the food and fiber that was grown nearby. Today the situation is completely different.

The new balance sheet which was recently published by the Federal Reserve Board shows that a new high in assets for farmers has been reached; namely, $170 billion. The increase for this year alone was $3.5 billion. Today we find a record high number of farms that have both electricity and telephones, and generally speaking farm families have never had a higher standard of living. Farm output today is 75% greater than it was in 1910, and this is being accomplished by fewer people on farms. Through scientific research, better farming techniques, and modern machinery, the following accomplishments have been attained:

It requires 22% less feed to produce a quart of milk than it did 40 years ago;
23% less feed to produce 1 dozen eggs;
29% less feed to produce a pound of chicken; and
32% less feed to produce a pound of pork.

Through the application of science we have increased the yields of most of our crops. For example, the average corn production has gone from 26 to over 38 bu per acre during the past 40 years, but the man-hours required to produce 100 bu of corn has dropped from 135 to 34. During that same time the man-hours to grow an acre of wheat has dropped from 15.2 to 4.4 hours. A ton of hay required 10.3 hours of labor compared to 4.6 hours today.

We could go on indefinitely, but we mention this only to show that agriculture is not in dire straits, as some would picture it. There may have been some recessions in income as compared with the peak level of 1947, but in spite of this farmers have made steady progress in adding more and better equipment and machinery to the farm, and impressive gains are being made regardless of the great problems with which they have been faced.

Before our market opened this morning the weather report showed dry conditions over the Southwest, and there is very little hope for precipitation except possibly in the southeastern part of Oklahoma; in fact, a few rains have already been reported in that section. There is a chance for rain over northern parts of the corn belt, and a low pressure disturbance located over the Minnesota-Canadian border this morning suggests that the Central States may get some relief.

Secretary Benson said that the Agriculture Department was ready to buy $10 million worth of lard, and the program was aimed to prevent any serious decline in prices. This is in addition to the other purchases already announced for hamburgers, eggs, and turkeys. As a result lard prices were higher this morning, and we also had some advances in oil, but meal was relatively indifferent.

Beans are still being influenced by a very great holding tendency on part of farmers, but with the large crop we doubt whether everything can be stored, and look for some gradual loosening up after storage space gets a little tighter.

There was no improvement in flour demand, and it has been quite a while now since any large bookings have taken place. The wheat market, however, was rather firm, as this is probably one of the driest fall seasons that we have ever had. In addition the Soil Bank is taking quite a little acreage out of next year's production. We heard that in Oklahoma in one county 170 farmers had signed up in a single day, and quite a number were still in line. It is the western counties where the soil has been so very dry that the largest percentage is involved. Nevertheless, when all is added up we shall probably have the smallest winter wheat acreage sown this fall than in the last 20 years. All of our Kansas offices told of last minute sign-ups under the Soil Bank, with farmers standing in line and apparently the participation will be extremely heavy. Markets closed strong, and this included just about everything with corn and oats also moving upwards.

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CHICAGO, 4 October 4, 1956

Unfortunately in a political year more attention is paid to agricultural price policy than to our agricultural program as a whole, and little credit is given to things that have been done which have been extremely beneficial to both the farmer and to the Nation, such as Farm Credit System, Rural Electrification Program, subsidization of agricultural research education; also regulations and servicing of commodity markets. The arguments over the farm price policy really date back to the program pursued by the government since 1938, a program that seemed headed for trouble in 1940, one that was in difficulty on the eve of the Korean War, and one that has finally led to more drastic action.

Parity, about which we hear so much, was really out-moded even in 1938. As one economist points out, throughout the 19th Century wholesale prices of farm products in the U.S. had been rising relative to the wholesale prices of all other products, and they reached their peak, except for war-time booms, in the five years just prior to World War I, which has always been the basis taken for parity. Unfortunately, in recent years the expectation of higher price and the certainty of support led farmers to plant more of the basic commodities than they would have done otherwise, and more than buyers would take at support levels. This in turn led to vast accumulations of surplus stocks.

The Soil Bank Program is an endeavor to reduce the acreage planted to basic crops, and within a relatively short time we will know more accurately how much land usually devoted to winter wheat will be taken out of production. The extreme drought that has existed throughout the Southwest no doubt will be quite a factor in reducing acreage. A farmer whose production is entirely winter wheat will have to make his decision by tomorrow, October 5th. From messages which we have received, many farmers will put into the Soil Bank all the acreage they can, and some estimates have been made that there will be 3 to 3 1/2 million acres in Kansas under the Soil Bank against an acreage allotment of 10 to 11 million acres. Even on the land that will still be used for production, lack of moisture will cause the plant to go into the winter in rather a weakened condition, and it will take more than normal moisture to obtain satisfactory results from the acreage which was planted. In some areas the seeding has been delayed as much as a month, and the overall picture is not very promising at the moment for wheat raised in the Southwest.

Today we were given a private report, which was about a standoff from the government figures of September 1st. Mr. Galvin's figure on all wheat is practically the same as the government figure of September 1st. He raised his estimate on corn by about 50 million bu from his previous report, and brings it about in line with the government figure. On beans, his estimate is 4 million bu less than a month ago, but about 3 million bu larger than the government figure of September 1st. In corn, he comments that some reduction occurred in Nebraska and Kansas, but which was more than offset by improvement in the Central and Eastern states. He places the yield per acre at 42.8 bu, which would compare with the 10-year average of 37.1 bu.

Last night after the market closed we had the official Canadian crop report, which is construed as a little bit bearish as far as bushels are concerned. While the frost apparently has not cut down the yield, there is a chance that the quality may have suffered.

Primary receipts of wheat today totaled 1,459,000 bu versus 1,641,000 bu last week, and 1,117,000 bu last year. So far this week Minneapolis and Kansas City stocks show a total decrease of 217,000 bu.

Milling demand seems to be very quiet. Interest is being displayed by buyers, but so far the business is slow in materializing. Extreme quietness prevailed in most of our pits today, and activity was on a very limited scale. The National Farmers Organization in Iowa has asked Secretary of Agriculture to extend the dead line for wheat farmers who want to join the Soil Bank from October 5th to November 1st. They also requested that 100% instead of 50% of the alloted acreage in the drought stricken counties be made eligible for the Program. No information has been received as to the Secretary's attitude. Bean receipts in Chicago today were 117 cars, and 400,000 bu by barge and trucks. Decatur had about 313 cars of soybeans.

As of September 28th, 4,335,000 acres have been put under the 1957 winter wheat Soil Bank. This is an increase of about 1 1/3 million acres from the previous week.

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CHICAGO, 4

October 5, 1956

According to two eminent economists the real remedy to the farm problem is to help farm people enter upon other occupations because the basic economic difficulty of agriculture is that too many people are committing their efforts to farming, not on the marginal farms but on the productive areas such as the Corn Belt. They point out that the price of farm land has not only been firm, but has tended upwards and that the rates of return are on a par with the returns of other comparable assets in the economy. The advance of about 8% in farm prices over the last five-year period, in face of declining farm income, is due to the fact that farm real estate was under-valued in 1951 relative to its earnings, just as were common stocks of corporations. They believe there is an over-commitment of human effort in farming, consisting in the main of family farm workers. This is the result of a marked advance in technique of production, and the rapid substitution of capital for labor now required in farming. The quality of the labor has also improved in terms of education, training, and health. They suggest an over-hauling of the farm employment service in Federal and State employment services generally to serve those who want to enter other occupations. They feel this would be at a much lesser cost than Federal funds now being spent annually on price support, acreage controls, Soil Bank, research and conservation, and that financial help should be given to farmers to seek other occupations.

Secretary Benson in a recent address pointed out that the six so-called basic crops: namely, corn, wheat, cotton, peanuts, tobacco and rice, account for only one-quarter of all the cash farm income, and that two farmers out of three get practically no direct benefit from price supports whatsoever. The total value of all farm assets is now placed at $173 billion --an all-time record high. Farm foreclosures are near the all-time record low, and three-quarters of the nation's farmers own their farms today, which is more than at any time in history.

Drought conditions still continue in the Southwest, and while today is supposed to be the dead line for signing up for the Soil Bank on land devoted only to wheat, according to one statement from Washington the Agriculture Department will accept additional acreage in states where allocated funds are not used. No doubt, many farmers have been waiting until the last minute to see how the crop develops. Up to September 28th the participation was not quite as high as had been looked for, but with the continued dry conditions many of the farmers feel that the weather has left them no other choice, and no doubt during the past few days many applications have been made.

Contrary to what is happening in this country Broomhall's Crop Summary states that rains have caused further delays in harvesting. In some sections of Europe it is retarding plowing of winter grains, but as a whole conditions are satisfactory, and the harvest is practically completed. In the U. K. there has been some loss in areas due to bad weather, with the result that crops probably will be smaller than indicated earlier. Weather in France has also deteriorated crops, but harvesting is near completion, although the same source estimates that about 10 to 15% of France's crop will only be good for feeding purposes. Italy has also been plagued with rainy weather.

Primary receipts of wheat totaled 1,329,000 bu against 1,406,000 bu last week, and 1,216,000 bu last year. Kansas City and Minneapolis wheat stocks so far this week show a total decrease of 323,000 bu. When the visible is posted on Monday it will be compared with a decrease last year in wheat of 441,000 bu.

Outside of weather there is very little to affect the wheat market. Flour demand is still draggy, and while some interest is being built up in hard winter flours, according to The Southwestern Miller, bakers cling to lower price ideas, and new business remains close to a standstill. There was some talk circulated this morning that the government would permit 100% participation in the Soil Bank. We heard no details whatsoever, and do not know whether this refers to the declared drought areas, or whether there is any ground for such belief. There were rather good bookings of soybeans downstate overnight; there were 470 cars of beans in Decatur, while Chicago stocks continue to increase, with receipts being 112 cars, and about 450,000 bu by truck and barge. It was reported this morning that CCC sold exporters 500,000 bu #2 yellow corn, and this may possibly account for some of the selling in corn earlier in the session, where exporters had previously bought hedges in anticipation of export business. Offerings of corn from the country are still relatively high. There was a little rail corn sold overnight, but very small quantities along the river for barge movement to Chicago.

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CHICAGO, 4 October 8, 1956

There was some talk already on Friday about the lagging activity in the Soil Bank as it pertains to winter wheat, and it was disclosed at that time that in order to invite heavier participation individual farmers could sign up all the land they wanted. A move of this kind would, of course, brighten the chances for attracting or pulling into the program some 9 to 10 million acres, which by the same token would thus be taken out of production. It was stated that only about 4.3 million acres had been signed up at the last count, although there was a week yet before the deadline would be reached. This news, which was further publicized in one of the trade journals this morning, had its influence, and, of course, the very dry weather, which is still an important factor had an additional influence, although apparently it is not an easy matter to bull the market day after day on the same news.

We have just finished reading with interest, an article by the Dean of one of our great mid-west agricultural universities. He is not too sanguine over the idea that a reduction of acreage will necessarily influence production, and calls it an error to correlate too closely tonnage with acreage, even though they have had a close correspondence over a period of years before any of the government programs became effective. He points out that obviously any farmer in his right mind when exercising a free choice will give up his less fertile acreage in the reduction program. This means that on the ordinary farm a variation between ratios exists. The Dean is certain that a 20% reduction in the areas devoted to corn would be no assurance that there would be a 20% reduction in that crop on the farm in question. The acres with the least fertility will go first, in any acreage reduction, leaving to the very last, should there be a last, the most fertile, and, therefore, the most productive acres. His conclusion is that as more and more acres are taken out of production in corn or in any other crop the discrepancy between area reduction and tonnage production will narrow.

Neither the daily weather forecast nor the five-day outlook showed any promise for a change, and it looks as though the dry conditions both in the Southwest and over the Central States would continue unabated,

Before our market opened soybean oil prices were very strong, and a large industrial user appeared to be a heavy buyer, so that it was a foregone conclusion that beans would reflect the strength in oil prices. Corn was inclined to be a little easier, as offerings from the country were quite a little freer, and before long we believe that accumulations will be taking place on quite a heavy scale. It was reported that there were 1,067 cars of beans at Decatur, which is quite a heavy run, but truck and barge arrivals in Chicago were a little lighter, and there was no particular pressure on the market. In wheat, there was some back-spreading by an important elevator interest, who sold December against May. The difference was about the widest it has been thus far; namely, about 5 3/8.

Chicago wheat stocks during the week decreased only 60,000 bu, and this is quite disappointing to those who had figured that after the export business was returned to private trade there would be heavy inroads on the accumulations here. We still have 16.3 million bu of wheat in Chicago, and with the exception of 1 million bu or so it is all free wheat. Chicago stocks of corn decreased 176,000 bu, leaving 11.1 million bu here, but in that cereal practically all of it is government-owned. Oats showed a small decrease, leaving 7 1/4 million bu here. Rye stocks in Chicago are not large; there was a decrease of 70,000 bu during the week, and there is 3.3 million bu in elevators. The big variation was in beans, with an increase of 2 1/2 million bu, so that our local stocks have almost reached the 6 million bu mark. Towards the last net changes were not very important. Wheat lost some of its early gain, but in beans the market closed fairly strong. Aside from higher oil prices there was no special news. Winnipeg enjoyed a holiday and our rye market was without guidance from there. The close was little changed from last Friday, and trade was quite light.

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CHICAGO, 4 October 9, 1956.

Almost every agricultural program that has been embarked upon during the past four years was an attempt to deal with surpluses that were being built up, and much of it was an effort to overcome the consequences of accumulations which had taken place when prices were held artificially high, and when our stocks of wheat, cotton, and other commodities went into storage rather than into consumption. It is a fact that during the last 3 1/2 years we have moved $6 billion worth out of storage and into use without disrupting normal markets. We have done this through sales in the domestic market when it could be done without depressing prices, and we have exported both for dollars, or when they were unobtainable, in currencies of foreign countries. We bartered where we could not sell, and we have donated for relief where there was distress abroad. Thus, instead of having a government stock-pile now of over $14 billion it has been cut to about $8 billion. In spite of all this, there are some depressing effects on current prices and on current farm income, although it might have been much worse if we had stood still.

The next question arises as to how much more we can benefit ourselves through acreage reduction by means of the Soil Bank. An interesting talk by one of the professors of the Food Research Institute tries to throw some light on this subject, but, of course, without a similar precedent, everything is guess-work. This authority also speaks first of the government-owned wheat, corn, cotton, rice, etc. by saying that no one knows how much these stocks are worth now. In fact, their value might even be negative when account is taken of their depressing influence on prices; also the difficulties they make for us in the Cold War, and the amount it costs to store them. He anticipates that in the next four years the Soil Bank might cost about $3.4 billion, and he doubts whether the maximum reduction in inventories that the bank might be expected to achieve, would be over $4.3 billion. This is on the assumption that the stocks of wheat, cotton, corn, and rice would be reduced by two-thirds, which seems to be a ratheroptimistic outlook. However, he comments that we might finally congratulate ourselves on having gotten out of a bad situation at not too high a cost. He admits there is an easier and possibly a cheaper way to the whole job, because if all that is desired is a two-thirds reduction in our stocks of inventory, and if we only want to get rid of $4 billion bu worth of commodities, it could be done at not too much additional expense by burning them, or by dumping them into the nearest ocean. That would save us the burden involved in administering the complicated reserve programs, but of course, the thought of destruction is too horrible in a world where so many people are either under-nourished or actually starving.

Primary receipts of wheat today were a little over 1 1/2 million bu, which was slightly less than last week, but somewhat more than last year. Kansas City and Minneapolis stocks so far this week show very little change.

Wheat started out with prices aboutthe same as at the close yesterday, but pressure developed later on, and we understand that some of the private weather forecasters are indicating the possibility of rain. We attempted to check this with the Weather Bureau, but they could give us no encouragement for a quick change, as they see no disturbance developing from the Gulf, although they admit that they only forecast a few days ahead, and that some of the others might be taking a longer view

The official French agency has estimated the wheat crop in that country at 202 million bu, but of that quantity only about 142 million bu is marketable, although there is 29 million bu left over from last year, while domestic requirements amount to about 196 million bu. Thus, a deficiency in the coming year of 25 million bu is likely. We hear of some signs of export business picking up a little, although most of the recent trade was via the Pacific. New York also advised that Germany might be in the market for 40,000 tons of rye in the near future, and for a short time this had a stimulating effect on that commodity. Chicago receipts of beans were heavy, but with the shortage of boxcars arrivals seem to be mostly by barge and truck. There were 320 cars of beans at Decatur. However, the bean market was rather firm early, and there seemed to be no particular pressure, until near the close when some selling orders came into the pit. Some of the longs who expect help through government support are apparently remaining with their positions, and declines are moderate, considering the size of the crop. The country is selling corn more freely.

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CHICAGO, 4

October 10, 1956

Gross farm income last year amounted to $33.2 billion. It has been exceeded a few times, but prior to 1946 it never reached anywhere near that height. We mention it because we think in comparison to the annual bill which covers all charges of farm products from the time they leave the farm until they are sold at retail shows a close resemblance. The latter figure was $32 billion in 1955, and was more than double the 1945 cost of $14 billion. We cannot, however, blame it all upon transportation charges, nor on labor costs, nor, indeed on the profit of the middleman, but rather we should take into account the changes that have taken place along the nation's food supply line within the past decade.

The modern housewife spends less time in the kitchen, and has demanded that processors supply her with hundreds of quick-fix foods, which, of course, are costly, but are in keeping with the times where so many articles are purchased where all that is necessary is to heat and eat. The cleaning and cutting of chickens, the boning and trimming of meats, the cleaning and packaging of fruits and vegetables has all been done to satisfy the demands of the housewife, who desires to spend as little time in the kitchen as is necessary. Apparently every segment of the food industry appears determined to help in this direction, although as we have just shown by actual figures it costs almost as much to bring the various farm products from farms to the table as the amount that was received by farmers for raising the crops or furnishing meats, poultry, milk, etc., to the buyer or processors, who through their knowledge of food technology, have given the public what it wanted in packaged form.

Before our market opened this morning we had figures on impoundings, which showed that nearly 54 million bu of wheat had gone into the loan between August 15th and September 15th. The total since July 1st indicates that there is now 162.6 million bu under support compared with 124.2 million bu at the same time last year. It is estimated that for the entire season we shall have about 270 million bu of wheat under loan versus 320 million bu last year. Should these figures be realized we believe we can account for the entire crop, since domestic consumption will take about 611 million bu, and we assume that 125 million bu will come out of free supplies under the export program. This latter figure was based on clearances of 350 million bu, and it now looks as though the total figure might be nearly 400 million bu. On the other side of the picture, we should take into account that May wheat is selling at a price which nearly permits redemptions, and, therefore, artificial factors may not come into play unless the market declines and later redemptions are correspondingly small. However, with the Soil Bank Program, and the dry weather Southwest, it is rather difficult for us to get bearish under present circumstances.

In Europe Broomhall states that rains have further delayed the completion of harvesting in some sections, although elsewhere farmers are about finished with the gathering of crops, and are engaged in plowing and seeding of winter grains. The British wheat crop should be about the same as last season. There has been abundant rain in France, but this has adversely affected the stacked wheat, and current deliveries show a rather high moisture content. Planting seems to be progressing in Germany, and despite some crop losses the official import program is not likely to be revised.

It was reported that parcels of corn had been sold to Germany, and also that Tunis had bought 10,000 tons Western winter wheat. In addition offers were submitted on 60,000 tons of Gulf hard winters to Greece, but exporters were not expecting a reply on this until later today. Pakistan is still in the market for three additional cargoes of west coast wheat.

USDA has extended from October 15th to November 30, the final date for farmers to enter into the conservation reserve contracts under the Soil Bank Program for 1956, and also announced that all such contracts, including those for tree planting will be limited to 10 years except when seedling trees are not available. In no case, may a contract be extended, so as to cover a total of more than 15 years, or beyond December 31, 1974.

Primary receipts of wheat were 941,000 bu vs 1,227,000 bu last week and 1,037,000 bu last year. Corn primary receipts were 813,000 bu against 638,000 bu a week ago, and 1,300,000 bu a year ago. So far this week wheat stocks in Kansas City and Minneapolis show a net decrease of 91,000 bu.

Corn and soybeans were under pressure most of the session, accounted for mainly by hedging in corn and continuation of steady sizeable receipts of beans in Chicago. The weakness in these grains affected other pits, although support was evident on dips, and markets generally closed firm.

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CHICAGO, 4 Oct. 11, 1956.

The size of this year's crop is now pretty well established. We shall not get final figures on winter wheat until next December, but chances are that changes from the preliminary estimates will not be very great, Meanwhile, it is safe to count on total wheat production of 976 million bu, which is not very far from the billion-bushel mark, and this is considerably more than had been estimated earlier, due to adverse weather contions over parts of the country, it probably is the last time, however, for many years that we shall witness a crop of such large proportions.

Under the new Soil Bank program, farmers are protecting themselves, particularly in this fall season when planting conditions have been unpropitious, and according to figures given out this morning, there are 8,771,566 acres of winter wheat land that have already been retired under the program. It looks, in all probability, as though the total goal of 10 million acres would be reached, and taking the spring wheat crop also into account that we shall have 15 million less acres planted than under the allotment for the past year. What the result will be from a reduced acreage of that kind cannot be too well told, even now, as dry weather conditions have prevailed in the Southwest for so long a period that we assume that yields might be seriously affected unless we get some moisture rather soon. In Oklahoma, for example, the weekly bulletin tells of drought which is delaying the planting of fall wheat, barley, and oats. August showers provided enough early moisture in some northwest sections to enable a few farmers to seed wheat and obtain good germination, but hot dry weather in September retarded growth after plants came up. Some growers have planted wheat in dry soil, but most farmers are waiting for rain before planting their grain crops. This situation holds for a number of other states similarly situated, and Texas and parts of Kansas are sharing equal pessimism, which has engulfed farmers over large areas.

Yesterday's crop report showed increases for almost all crops, and the over-all improvement was about 1% from the month earlier. The 3.3 billion-bu corn crop, which is our second largest of record, is moving into cribs with increasing speed in the main corn belt sections, following the coming of frosts, and some good dry days. The soybean crop, which is now estimated at 470 million bu is up 2% from a month ago, and the crop is 100 million bu larger than last season, with a record also for Illinois, where the estimate is for a yield of 135 million bu. While harvest completion is about 85% of the Illinois acreage, it is only about 40% in Iowa. It is our belief that with the enormous crop that it cannot possibly all go for storage and that accumulations at marketing centers will become heavier as time goes on.

The surprising part of yesterday's report was that a hay crop of 110 million tons should be reported in spite of the extreme drought. This would be the second largest of record, and a 1% gain from last month's estimate, helped by the late cuttings of alfalfa.

Overnight, offerings of corn were a little lighter, but with a crop in this state of 586 million bu vs 523 million bu last season, we feel, as we do with respect to beans, that there must be a rather free movement somewhere along the line. Even the Iowa crop, which had been afflicted by adverse conditions, has reached the 500 million bu mark vs 522 million bu last season.

Primary receipts of wheat were smaller at 1.2 million bu; this, however, was about the same as last year, but it was somewhat less than last week. Kansas City and Minneapolis stocks so far this week showed a net decrease of 211,000 bu.

Markets were mostly firm today.

The President's announced policy to relieve farmers in the drought areas was regarded as the most ambitious relief program that could be expected. He raised the subsidy to those in the disaster regions to $ 1.50 per hundred pounds on feed sales. Dealers who furnish stocks will have them replenished from government inventories, so it really does not take grain out of free stocks. There may have been a little buying, however, on this, but nothing very significant.

Secretary Benson spoke this morning at Garden Grove, Iowa, and he reminded his listeners that "exports, excluding cotton, in the 1956 fiscal year were the highest in 30 years. Farm land values are at an all-time high -- and so are agricultural assets. Farm foreclosures are near their all-time low. Total farm debt is only 11% of farm assets. The proportion of farmers who own their farms is the highest on record and 7 out of 10 of our farm families have no mortgage debt whatsoever."

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CHICAGO, 4

October 12, 1956

We are hearing a great deal these days of big business and large farms, and some of the comments are that this is all to the detriment of the smaller units. The fact of the matter is that the rise in average investment required to conduct business, whether it be commercial or farming, seems to result not only from cost increases, but also due to the steady march to larger-sized units. In the last decade both the number of farms and the number of retail stores have declined, even though total volume has increased substantially. For example, the number of grocery stores in Missouri declined from 9,500 in 1948 to 7,000 in 1954, according to the Census of Business, although dollar sales went up from $635 million to almost $860 million. Our cropland base is about the same today as it was in 1920, but for every ten farmers we had then, there are only six now. In spite of this our people, even though there are 60 million more of them, have been eating better than ever before. For example, in the past three years Americans have been eating more beef per person, more eggs, chickens and turkeys than at any time in history. It is interesting to note that one out of every three adults living in the cities, towns, and villages of the U. S. was reared on a farm. There are more than twice as many farm-reared adults living off the farms in this country as living on them. This is quite conclusive in evidencing the progress and technology which has made an achievement of this kind possible. Early in the history of America nine working persons out of ten were farming, but today only one working person out of ten is farming. More than half of our young farm men and women leave the farm before they are twenty-five years old. This means that they are fed, clothed, sheltered, and educated throughout their unproductive years on the farm, but often when they come out of college they head for the city and other vocations where many become lawyers, doctors, or businessmen. Others go into factories and help to create the goods and services that our 170 million people want and need, and something which could not have been otherwise accomplished. This is surely not a tragedy.

Before our market opened this morning, there was a slight change in the weather pattern, and it looked as though there might be some light moisture for eastern Oklahoma, eastern Kansas, and eastern Nebraska. The five-day outlook gave some promise of rains in those sections, but apparently nothing was anticipated for the central and western sections of those states, nor for western Texas. It did appear a little more encouraging for a break in the drought for the Central States, but later on when the noon forecast was posted it seemed to indicate that if moisture were developing it was very slow in coming.

CCC sold exporters some more rye at the Atlantic but we understand that at least part of the previous business has not resulted yet in foreign sales, even though Germany had indicated earlier a likely interest.

We have a little more detailed knowledge now of the location of acres under the Soil Bank with 8.7 million total acres signed up for retirement. Kansas has 3.7 million, Oklahoma a little over 1 million, and nearly a million acres for Texas. This emphasizes the fact that the Bank is largely an insurance program and that participation is heaviest where drought has been most severe.

Primary receipts of wheat were very light today and amounted to only 881,000 bu which compared with 1.3 million bu last week and about the same last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 250,000 bu. When the visible supply is posted on Monday, it will compare with a shrinkage last season of 1.1 million bu.

Trade was very light. There was very little response to the messages that others and we had, reporting high winds and dust through many parts of the Southwest. As a matter of fact our own weather man, after looking at the late map, did not think there would be much moisture over the weekend even though the earlier map had looked a little better. Old-crop wheat futures were firm at the last but July lagged, and altogether the volume was extremely modest. It was another quiet day in the flour trade.

Corn was weak and there was some hedging by a number of elevator houses although offerings from the country were rather light.

We heard that Western Germany had bought the equivalent of 2 cargoes of rye from Russia and our informant also thought that some business might develop in that commodity either here or in Canada. The West German government has issued import licenses for 100,000 tons durum wheat, which will include up to 40% U.S. varieties, shipment through December.

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CHICAGO, 4 October 15, 1956

The most important development over the week-end was the weather. Rains fell over wide areas of the Southwest where the soil had been parched, and we had as much as 2 inches of precipitation in several sections of central and eastern Kansas, with somewhat lesser amounts in Oklahoma. The rain which fell over the Texas Panhandle was more spotted, and did not cover all sections, but at least it did bring relief to many areas. It is rather surprising that we should have had weather news of this kind in view of the forecast. The noon prediction last Friday was for more or less a continuation of what we had had. The five-day outlook was somewhat better, although it envisioned only 1/4 to possibly 2/5ths of an inch of rain over the eastern parts of Oklahoma and Kansas. It shows that there is much still to be sought in the science of predicting weather changes, even with the best equipment. This much can be said, namely: that the barometric lines that were depicted on the map ran horizontally for a long period of time, and these were gradually replaced by vertical lines which may have permitted pressure to come up from the Gulf. It was mentioned one or two days last week as denoting a possible change in the weather pattern, but yet did not seem to impress the forecasters very much. The Northwest also had some rain, and there were reports of the same nature from Iowa and Nebraska, but generally speaking the Central States are still mostly unrelieved, but they may receive showers late tonight or Tuesday, with possibly a drop in temperature.

Wheat naturally opened lower as a result of the surprise visit of moisture which covered pretty generally the eastern two-thirds of Kansas, and should permit the completion of seeding and the germination of that part of the crop which has already been put into the ground. It will not, however, change materially the downward revision of acreage occasioned by the heavy Soil Bank entries, as it is our understanding that unless the law is changed once farmers have applied for Soil Bank protection they may not withdraw from the program unless their farming is of such a nature that they are working under two or more allocations.

Before our market opened there also had been some advices from Washington to the effect that France was trying to purchase a large block of wheat from this country under P L 480. They were said to be bidding quietly for about 55 million bu of bread grains due to the fact that they had such a small crop because of adverse weather conditions during the winter months. On the other hand, France is known to have made a pact with Germany whereby she will deliver 18 million bu of wheat this year in spite of her shortage. This brings up some political issues as to whether we would, under such conditions, be permitted to sell her these commodities for payment in foreign currencies. The proceeds, undoubtedly, would be used to defray American government expenses in that country, but due to complications that we mentioned, a deal of this kind may not finally be consummated.

The net effect of this news was at any rate felt to the extent that the nearby wheat positions were relatively firm, while new-crop wheat feeling the impact of rains opened sharply lower.

Chicago wheat stocks declined 275,000 bu during the week, but some of the elevators are apparently selling wheat to make place for corn and beans. There are still 16 million bu wheat left here. Corn stocks increased 657,000 bu to a total of 11.8 million bu, oats decreased 552,000 bu, while rye showed a small decrease. Beans, however, increased 2.4 million bu, so there is now 8.3 million bu here in Chicago.

Trade on the whole was light. Almost all grains, and beans as well, were lower at the start but oats became rather firm, and beans and corn also firmed up, but there was no great enthusiasm displayed anywhere. The head of the American Farm Bureau Federation had suggested to Secretary Benson that beans be placed under PL 480 in order to keep them moving into consumption. He was told, however, that the Department of Agriculture expected that the carryover at the end of the season would only equal about one month's disappearance, and that should not cause any great concern.

According to Broomhall it was warm and sunny in Argentina, and moisture supplies appear ample over most of the country following the recent heavy rains. It looks as though the yield would be above normal on the larger planted area, thus there should be a good surplus for export during 1957.

The lard market turned quite strong on talk of heavier exports and allocations to Europe.

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CHICAGO, 4

October 16, 1956

Mechanization of American farms has been greatly accelerated since World War II. For example, from 1940 to 1956 the number of farm tractors in this country has increased 188%, farm trucks have increased 167%, grain combines 426%, and corn pickers 536%. It is quite obvious that under such conditions a farmer with one horse and with one plow could hardly keep up or compete in the technological age in which we are living. This is best shown by the fact that the average value of the equipment at the disposal of each farm worker is a little more than $1,700 today as compared with about $200 in 1940. On many types of farms, this figure runs much higher, and in some cases up to $20,000 or more. Thus, it follows that the farm of today requires a tremendous capital investment. Back of each of the 8 1/4 million farm operators, hired hands, and family workers is a capital investment of a little over $15,000, which is nearly 4 1/2 times the amount in 1940. On many commercial family farms this figure runs up to $50,000 or higher. In spite of all this family farms control approximately the same proportion of the total acreage in farms and produce, about the same share, which is roughly two-thirds of the total agricultural output as was the case also in 1940. The family operated farms in 1954 comprised about 97% of all the farms in the United States. Actually the family farm is as important today as it ever was. It has been strengthened, although it is much larger than the farm of 25 or even 15 years ago. It is larger both in terms of acreage farmed, and also in terms of market sales, but it is still a family farm, although in many cases fewer people are needed to run it. For example, on a typical corn-hog dairy farm the volume of machinery and machine services has gone up 30% since 1940, but the volume of labor has declined to the same extent. Because of this some farmers have added to their acreage, very often they have obtained more leisure time, and in some case one or more members of the family has gone to the city or has engaged in another enterprise.

The overnight weather developments indicated a return to clear skies for most of the country. There had been some rain over parts of Texas, and a little more may fall in that part of the country, but otherwise fair conditions and moderate temperatures are expected. Many traders figure that while recent rains have been beneficial that it will take much more moisture to restore the subsoil deficiencies that have been built up over the past months. Only about one-fourth of the wheat has been seeded in Kansas, and further progress is expected to be made in field work, but we are going to need more than the usual amount of moisture during the fall and winter months if we are to get anywhere near average yields next summer.

Primary receipts of wheat amounted to 1,307,000 bu which compared with 1,584,000 last week, and practically the same last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 127,000 bu.

Trade was as dull as we have seen it in many weeks. There was no particular incentive to do very much except that with the stoppage of rainfall Southwest there was a better sentiment, but even beyond this a good many people feel that gradually strengthening values should occur as export business is bound to pick up, and moreover the Soil Bank is finally going to have quite an influence on next year's wheat production. With acreage likely to be one-fourth less we feel certain that we are going to have to dig into government accumulations, and it will take a rather high price to bring impounded wheat back into commercial channels. We were informed that there was an ICA allocation outstanding with Yugoslavia to purchase 100,000 tons of wheat. Our informants in the East believe there is no question that this purchase will finally go through, and that it will pretty well clean up the red wheat presently held at the Atlantic Seaboard. There was fair strength today in the oat market, but mostly for the nearby deliveries, while the deferred months were practically unchanged. Cash interests have become a little more friendly but the market may meet a little more resistance in further advances. Compared with corn for feed ingredients, oats are said to be high, and some of our friends tell us that as a result there may be curtailment of oats on feed formulas. This could, of course, change if later on corn prices advanced. There was not much feature to the bean market today, but prices were rather firm, and carlot receipts at Decatur were quite a little smaller. Rye has shown a firm undertone for several weeks, and was a little higher today. There was no special news, but there is still an undercurrent of conversation about Germany possibly being in the market for rye due to the poor quality of their crop.

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CHICAGO, 4 October 17, 1956

When food products of a country are as plentiful as they are in the United States, it is certainly easy to follow recommendations of nutritionists when they tell us to eat more of the protective foods and less of other foods that are held in less high esteem. We are consuming about the same poundage of food per capita as we did 50 years ago, but the amounts and quality are greatly different. It has been estimated that in a recent year Americans consumed per person about 223 pounds more of such food as meats, eggs, fish, dairy products, fruits and vegetables than they did in 1909. However, this was offset by eating about 222 pounds less of grain products and potatoes. In other words, we have a better balance than used to be the case, and it is something we can afford in this country, but unfortunately this is not the case universally.

Even since the beginning of World War II, or at least making comparison to the few years proceeding it, we might well point out that we have increased our per capita consumption of meat, poultry and fish by 33%. We have increased our dairy products in-take, excluding butter, by some 13%, and eggs by 28%. Each of us is eating about one-fourth more livestock products than we ate in the late 30's.

All this, of course, is wonderful for certain industries, particularly as there are so many more of us eating than ever before, but as far as total wheat consumption is concerned, it is hardly larger now than it was 25 years ago, due to the fact that people are eating less bread, and cake, so even the increased population has not taken up the lag due to smaller personal consumption. When we are told that the spread has increased between raw products and the food we buy at the grocery store, much is overlooked. At least 90% of grocery products are now self-service, but without the canning industry this degree of self-service would be out of the question. Many other foods which do not adapt themselves well to such a process, are packaged and prepared, which of course, raises the price because the element of labor is involved.

Before our market opened this morning there was not too much to guide it. There had been some rains in Texas, but they were confined mostly to the Fort Worth-Dallas area, and no precipitation had occurred in the western districts, but the forecast was a little more optimistic in that respect. We might have rainfall tonight or tomorrow in the Panhandle of that State. It also looks as though there would be showers in western Kansas tonight or Thursday, with temperatures somewhat above normal. This is not a complete change in the weather pattern, but at least offers a little relief to the parched soil which has really made for a very desperate situation, unless we get more than the ordinary amount of rainfall during the fall and winter months.

There was further news regarding possible purchases by Yugoslavia. Their needs are estimated at about 1 million tons of wheat over the next nine months, or about 37 million bu. Their last harvest was one of the most disappointing in years, and they will need to supplant their own shortages by rather heavy imports. Some, of course, will come from the Soviet Union, but certainly not all of it.

Primary receipts of wheat were smaller and amounted to only 758,000 bu which compared with 941,000 bu last week, and 1.2 million bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 119,000 bus.

Trade was slow but improved late in the day. There was quite a little comment that Yugoslavia did not find our terms completely acceptable, and this brought up the question as to whether or not they would take grain supplies from this country. Our government sources, however, said there was no indication that that country was prepared to reject American aid. They said that the Belgrade government might eventually ask for long-term credit instead of aid, but refused further comment or speculation on the relationships between that country and ours.

For a time there was little selling both in lard and in wheat, but we had subsequent recoveries, and both March and May wheat made new highs on the crop; in fact, some futures of oats went into new high ground. The corn basis improved, and with the wonderful harvest we have had, farmers have had an opportunity of holding supplies back on the farm, and were greatly tempted to do so because of the low prices. Many of the corn handlers who have not bought much corn from the country were given to understand that if the basis improved or if the futures market went up, they might buy more. The deferred futures of beans were the strongest, and carrying charges widened.

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CHICAGO, 4

October 18, 1956

In the 10-year period prior to World War II our net exports of wheat were very small. We shall not give the figure of the average during that time, because actually during the drought years from 1933 to 37 we were importing from Canada, having raised smaller amounts each year than was being consumed at home. It was not really until 1945 that shipments abroad expanded, and that was after the War when suddenly everyone needed supplies, and before many of the European countries became rehabilitated. As late as 1951, after the Korean outbreak, our wheat exports totaled about 475 million bu. After that exports began to fall off rapidly. In the 1953-54 marketing year we shipped only 220 million bu, but since that time through coordinated efforts we have been able to bring back markets quite materially. In the season just finished we shipped about 345 million bu, and the best estimates now are that we are going to top that figure during the current year, and some optimists even believe we may reach a total of 400 million bu. However, it has taken a lot of work and a lot of money to get back to the present wheat export level.

With the supported domestic price so high above the world market level, some form of subsidy or special program has obviously been needed to move our wheat. It takes about a quarter million dollar subsidy for each cargo that is sold under IWA, and to this extent the taxpayer comes in for his share that is required to maintain the program.

In our opinion, the problem would be greatly eased if we adopted the two-price system, and if we bluntly let wheat seek its own level after making sure that surpluses from past years were isolated, or reduced, as probably will be the case, through the reduction of acreage under the Soil Bank plan. Were that done, it would certainly make markets more liquid, and as long as the subsidy has to be paid to someone it might as well be paid to the farmer direct, just as the government intends to do in the case of rice. It might be interesting also to some of our readers to know that there is a two-price program for wool and for mohair, which apparently is working. In the case of wool, payments are made to bring the average price of 42.8¢ per pound, which is actually received by the producer for 1955 wool up to the 62¢ incentive level. Thus the market can function, the farmer is paid a bonus, and as far as we know there are no complications. While the Act also provides for the support of mohair prices, no payments were made on 1955 marketings, because the price level was above the 70¢ support price, and prices to-date for the current marketing year have also been above the support level. We recognize that what might be feasible for one or two commodities might not work for all, but we have never really heard any conclusive arguments why the plan would not work for wheat, except that some politicians believe it might point out to the public just how much the farmer is getting above the world price level, and that it, therefore, would be better to pay it by way of indirect subsidy where many people are fooled, but by which device accumulations build up.

We had some overnight rains in the Texas Panhandle; they were heaviest around the Lubbock area, and during the session it started raining at Amarillo, but the weather forecasters believe the shower line is moving northward. Thus, we may get a little relief in those very dry districts. Elsewhere it was mostly clear and temperatures are rather mild for this time of the year.

Primary receipts of wheat today were just about at the million bu mark, which was slightly less than both last week and last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 134,000 bu.

Markets were a little hesitant at the opening; in fact, there was some profit-taking, but later on beans became strong, and in fact the May and July futures sold at a new high on the crop. March and May wheat also made season's high, while the same was true of some oat futures, and all rye futures, with the exception of the July. At one time our July wheat was influenced by a statement from the Assistant Secretary of Agriculture. He was addressing a group of people in Nebraska, and called attention to a reasonable expectancy of a 200-million bu cut in total wheat crop production next summer because of shrinkage in acreage under the Soil Bank program. This, in our opinion, is very conservative, and the figure of 700 million bu wheat production for next season has been mentioned on several occasions in the past. Best prices did not hold -- in fact, there was late selling in all pits. We heard, but cannot confirm, that Russia is offering corn to Europe.

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CHICAGO, 4 October 19, 1956.

When the Assistant Secretary of Agriculture spoke before a group of citizens in Nebraska yesterday he called attention to the fact that 8.7 million wheat acres had been signed up for the Soil Bank by the October 5th deadline. Through October 12th, we have a new figure this morning, and government compilations are always slow in coming in, but there are already more than 9 million acres involved. It is fair to assume that on the basis of average yield conditions, weighted for states where acreage has been signed up, that farmers could cut the prospective 1957 winter wheat crop by about 145 million bu. When adding to this the reasonable expectancy for spring wheat sign-up there will probably be at least 200 million bu less wheat raised than there was in the current season, and thus next year's production might be somewhere between 750 and 775 million bu. Our own guess is that with the winter conditions as they have been that this is an optimistic forecast, and possibly the earlier figure which the government gave out of about 700 million bu may prove to be more nearly correct.

It is a little hopeful to scan the weather map this morning, and while there has been no general rainfall in the Southwest there was at least further precipitation in the Texas Panhandle around Amarillo, where nearly 1/2 inch fell. It looks as though showers and thunderstorms would fall over Kansas, Oklahoma, and Texas during the week end, probably being heaviest in central and southern portions, with temperatures somewhat lower. For the corn belt generally fair weather is expected, with mild temperatures. We could certainly stand some rain in our own backyard, where it has been dry now for many weeks.

The Southwestern Miller calls attention to the fact that while the acreage withdrawals point to a drastic reduction in 1957 winter wheat production, that there are some offsets which may tend to increase the free wheat supplies in the current marketing year. Winter wheat farmers will receive payments either in cash or else they may obtain CCC wheat on the basis of a 5% premium. Should the latter alternative be chosen such full payments in wheat could reach a figure of 75 to 100 million bu. Thus, the Soil Bank program points to more free wheat in 1956-57, and a reduced 1957 crop. Apparently the trade did not pay much attention to this possibility as the spread between old and new crop wheat futures remained about as wide as ever, although the possibility of moisture Southwest probably brought some selling into the July and September deliveries.

We spoke briefly yesterday about the possibility of adopting the Domestic Parity Plan whereby direct subsidies would be paid to farmers, and the grain markets would be free from government encroachment, so there would not be the continual uncertainties as to what federal agencies might do within the next week, or even within the next hour. It would be a great boon to the free market under which our free enterprise system was built. Government bureaucracy would be reduced, and there would not be the scores of agencies to deal with surpluses. In this connection it is interesting to note today that the Civil Aeronautics Board reported that airline subsidies were raised 8% to $48,175,000 during the current fiscal year. We think nothing of subsidizing transportation systems, nor the post office, and, indeed, we shall soon have direct bounty payments to rice farmers, in addition to wool growers who are already receiving such benefits. Apparently for wheat there seems to be a strong belief that payments should be continued indirectly by attempting to keep market prices artificially higher than their merit.

Primary receipts of wheat today totaled 871,000 bu vs 881,000 bu last week, and 1,095,000 bu last year. Corn receipts were 1,779,000 bu compared with 862,000 bu last week, and 1,849,000 bu last year. So far this week Kansas City and Minneapolis stocks show a net decrease of 109,000 bu. When the visible supply of wheat is posted on Monday it will compare with a decrease last year of almost 2,400,000 bu.

There was not much feature to our market today, somewhat lower prices were registered at the opening, but firmed up as the session progressed. Late in the session it was announced that our government is considering proposals for bartering $50 million worth of surplus wheat or other farm commodities for rent-free U S military housing in France, and this news brought some buying into wheat. Soybean oil strengthened on the announcement of a 1 1/2¢ increase in shortening to take place tomorrow and beans also were higher.

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CHICAGO, 4 October 22, 1956.

The carryover feeling from Friday was a little bullish. The fact that there have been a few rains in parts of the Southwest has not given traders too much encouragement, as after all subsoil moisture conditions have been bad, and everyone recognizes that even though there may be enough moisture to germinate the wheat plant this fall that Nature will have to be provident to overcome some of the handicaps which exist. We did have some early reports of moderate showers over Kansas, and at a few points in Nebraska and Missouri. On the other hand generally fair and mild weather is indicated for tonight and Tuesday, so that instead of getting a good rain that we need, it seems that the amounts are rather inadequate, and hardly enough for even what we might call umbrella weather. From Amarillo we heard that there had been a little moisture over the weekend; this extended across the border to Oklahoma and to New Mexico, but outside of one or two points it, too, was rather light in character.

Probably of more importance than all this was the fact that the country has been holding back on its selling policies with respect to beans and corn. According to the American Soybean Association, a large amount of beans in the northern areas are going into storage, but nevertheless they point out that processors have had little trouble in getting supplies to take care of immediate requirements, and that a good many of the industries have procured enough beans to take care of operations for the next two to four months. They claim, according to their reports, that 40 to 75% of the crop is being stored in Illinois, that in Iowa it is running 85 to 95%, in Minnesota 95%, while Ohio will have 75 to 80% of beans in storage. This probably had some influence on today's market, particularly since it is also felt that we are going to have a record crush in the coming months, and that operations might extend beyond the 25 million bu monthly figure that was attained during some months last year. Should there be crushings of 300 million bu total, and possibly 60 million under price support, the market might stay firm for a period, although up to now exports have not been very important, although we assume that allocations in oil will probably increase as time goes on.

Broomhall tells us that there have been wide-spread rains in parts of India, and these have damaged growing crops in some sections of that country. On the other hand, the weather is now more settled, and seeding of wheat in early sections has started. Moisture reserves in the northwestern part of that country are adequate for early germination of crops. In Argentina, there has not been quite the same optimism lately with respect to wheat crop developments, and some districts have complained of excessive moisture, but it should be noted that, according to the Minister of Agriculture, the wheat acreage has been increased from a little less than 13 million last season to 14.8 million this season. On that basis there could be a wheat yield of 200 million bu, which would be slightly more than last year.

Wheat stocks in Chicago decreased 286,000 bu during the week, which still leaves 15 3/4 million bu of wheat here. Some of this has been sold to make room for other commodities that pay better. Corn stocks increased to nearly 13 million bu; but oat stocks went down 711,000 bu, which leaves slightly less than 6 million bu here. There was very little change in rye, but beans increased about 1 1/4 million bu, and there is now 9.6 million bu locally held.

Over the weekend there was quite a little news from Poland. It is probably the first satellite country to take the initiative in breaking away from Russia. While undoubtedly Poland wants to remain communistic, they still would like to remain independent. All this may have had some influence on the buying here today, although we have no idea, in spite of the bad conditions existing in that country, how much food might be sent to them even if we wanted to be helpful. Rye was very strong, although we doubt whether any large quantities of rye would be shipped there in any case. The greatest strength probably today was in the bean market where there was considerable short covering. Corn was also quite a little higher. While wheat went up in sympathy with other advances, flour sales over the weekend were still exceedingly light.

There were cables during the past few days intimating that Yugoslavia would reject U S offers of economic aid, but it is generally felt that they will finally not be too proud to accept food shipments from here, and it is generally considered likely that the wheat business will be placed. Altogether there is quite a little export business involved, including 88 million pounds of lard and close to 4 million bu of wheat.

In Winnipeg rye was also strong, with American houses buying, and we presume the same factors were involved up there also.

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CHICAGO, 4 October 23, 1956.

Events in Poland during the past few days may have very serious repercussions throughout Europe. It has always been a moot question as to how much Russia could trust these satellite countries if war ever broke out in Europe, and indeed nobody could even be sure that even in peace time they would ever remain in the orbit. There has been an undercurrent of discontentment for so long that the only surprise is that the unrest has not developed before now. Whether any of the other satellite countries may follow suit or whether it will mean a complete shake-up in Russian party leadership is something that cannot be definitely predicted at this early stage. Suffice it to say, we are not very apt to pour out financial aid to that country, at least for the time being. According to advices from Washington, the time may come later when we may be asked to help Poland if she wishes to sever permanently her economic dependency upon the Soviet Union. It is only natural that we should refrain from offering aid to Poland until the Poles themselves seek our assistance. To do so unsolicited might only irritate them and prompt the charge that we were meddling in their internal affairs.

There is no doubt that some of yesterday's buying was prompted by the thought that we might send foodstuffs to that country as unquestionably they are in desperate shape, and there have been reports long before this that the population was suffering from malnutrition. Poland is a country that eats a great deal of rye bread, and yesterday one of the first markets to be affected was the rye market not only here, but the one also in Winnipeg on the presumption that shipments would be made almost immediately. We would doubt very much that anything of this kind will happen. Furthermore, we learned this morning from New York exporters that Argentina was selling rye abroad at a price equal to $1.18 1/4 FOB Buenos Aires, and were offering an additional 35,000 tons. While freights from South America to Europe are higher than from the North American Continent, that rye is still about as cheap as ours even assuming the great discount at which the CCC sold recently some of its holdings to exporters at prices far beneath the present market level. In fact that price was even cheaper than Canadian competition and thus there does not seem to be much chance to export much rye from the U. S. after Commodity stocks have been disposed of.

There was news that Spain agreed to-day to buy U S farm commodities with a value of nearly $50 million. This was the third such accord, and brings total purchase agreements to $167 million. Apparently Spain will buy meat in this country, also vegetable oil, corn, tallow, tobacco, and linseed oil, but the price includes Ocean freight of about $5.8 million. Payment under PL 480 will be made in Pesetas and 70% of the proceeds will be lent back to Spain on a long-term basis at low interest for development of Spain's economy and the expansion of U. S. agricultural markets in Spain.

Primary receipts of wheat, with Wichita missing, were 1 1/2 million bu, which compared with 1.3 million bu last week and a little over 1 million bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 36,000 bus.

There was no particular trend to the wheat market, but flour demand was flat and there was no encouragement from that source. The dry weather, however, persists, and the forecast showed no improvement in sight. As a matter of fact, over large sections of the land in the Southwest, winds of 20 to 30 miles per hour were blowing, which is not very optimistic, after a long dry spell.

According to Broomhall poor harvests in Western Europe may necessitate imports by such countries as Turkey, Poland and Hungary. He also spoke of West Germany's import requirements, and apparently that country is negotiating in Canada for large quantities of Manitobas, but there has been nothing definite accomplished yet. She may also be in the market for some Durum wheat.

Corn became rather strong after mid-session and there was a good deal of local buying, which may have been influenced by the news that Spain would make purchases in this country. Farm selling of both beans and corn is still light, even though markets have advanced. On the other hand, it is reasonable to suppose that with higher prices for beans, that smaller quantities may go into the loan. The bean market was very little changed today.

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CHICAGO, 4 Oct. 24, 1956.

The long extended drought is as serious as any that we can remember in recent times. and might compare in intensity to the one that existed in the 30's. Fortunately, however, we have learned a great deal sinde that time, and have been able to cope better with these disasters through scientific efforts. Furthermore, there are many farmers who are being at least tempoarily helped these days by irrigation projects, and the transfer of water to vital spots. It might be noted that in 1955, despite the wide-spread drought, 40% fewer farm workers produced nearly twice as much total output on about the same harvested acres as our agriculture produced a half century ago. This, indeed, is progress. Our government has been fully mindful of the great suffering in the drought-sticken areas, More than 500 counties in nine states are eligible for feed supplies at low prices. In nearly 700 counties in twelve states stockmen are permitted to graze their Soil Bank acreage without losing Soil Bank benfits. In more than 450 counties in six states the hay and roughage program is operating. There are many other Federal programs that are helping to relieve drought hardships.

It is a little encouraging this morning to note that temperatures have dropped, and that thus there is the possibility of a change in moisture conditions. While neither the daily nor the five-day outlook are extremely optimistic, our weather man looks for some rains in central and eastern portions of Oklahoma and Kansas, and we note that the five-day prediction is for up to 1/2 inch of rain in Nebraska, while over the Central Statesit also looks as though we might have some relief.

We are still most fortunate in this country that the family farm has survived depression, war, natural disasters, and technological revolution. As we have pointed out on past occasions, 97% of all of our farms are still family farms, three-fourths of all farms are owned by those who operate them, which is an all-time record. Farm tenancy is at an all-time low. It is true that the average size of a farm has increased, but this evolution is not uncommon to what has happened elsewhere in the country. In order to produce a good living a farmer must have adequate tools. To use his equipment economically he must have enough acres -- more land than he has in many cases. The successful farmer today who works full time on his farm needs more acres and more animals than was the case before modern equipment was available.

Yesterday's report of grain stocks in various positions showed a slight reduction for wheat. There is 7 million bu less than we had at the same time last year, but still 1,775 million bu on hand, which still is very large considering that our domestic consumption for all purposes is somewhat less than 625 million bu. The corn carryover was 1,165 million bu, or a new high for all time, and compared with 1,034 million bu a year ago. Oat stocks, of course, were small, due to the poor crop, and supplies were 1,056 million bu vs 1,329 million bu the year before. Supplies of rye have also been cut. There are 28 million bu in all positions vs 39.3 million bu in 1955.

Primary receipts of wheat amounted to only 880,000 bu. This compared with 758,000 bu last week, and a little over 1 million bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 91,000 bu.

While some of the early forecasts were a little more optimistic, attention was attracted toward the Kansas City market which was relatively firm, even when our market was weak. Later on we had the noon forecast for Kansas and other states in the Southwest, and they were quite pessimistic. It seems that high winds and dust were reported over rather wide territories, and the wind velocity in some sections was as much as 70MPH. At Colby, Kansas, traffic was closed down as visibility became bad due to so much dust in the air. All this, of course, had its main influence on the July future, which as a matter of fact was never really weak, but which gained on the other months. There was also some commercial buying which caused a reaction in the D ecember and Mardh deliveries after some early weakness. Corn was inclined to be firm, but sold off at the close. There was not a big trade, but on the other hand, there was not much pressure on the market either. Beans were strong early but declined later. There w as no particular buying, but on the other hand, those who have covered recently were more cautious. Rye prices were weaker at times, and after an advance of 35¢ per bu, the market could easily react.

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CHICAGO, 4 October 25, 1956

Shipments of wheat and flour from this country during the past week were 5.9 million bu, according to Broomhall, and since the start of the crop season we have shipped 142 million bu compared with 75 1/2 million a year ago. Part of this, of course, is due to the poor crops in Europe because of adverse weather last winter, but at least some credit must be given to this Administration for having expanded and having found new markets abroad. Exports for 1955-56, exclusive of cotton, were at a 30 year high. We are now in the fourth year of increased exports. For years they have gone up at the accelerated rate of 4, 7, 10%, and so far this fiscal year are 24% greater than a year ago. It should be said, however, that important as the export market is for our surpluses, farm prosperity is dependent mainly on a prosperous America. The U.S. is the best farm market in the world. Over-all, farmers sell about 93% of their products here at home, and thus it is extremely important that we have a high level of economic welfare to take care of the vast supplies that are produced every year on our farms. Not only this, but it has become necessary to reduce drastically many of the surpluses that have accumulated, particularly dairy products, which have been pretty generally liquidated. For example, cheese stocks are less than 200 million pounds; at the peak they were over twice that amount. Cottonseed oil has all been sold, whereas peak stocks were over 1 billion pounds. Cottonseed meal has all been sold, flaxseed and oil has likewise been liquidated. Butter and milk stocks, which at one time gave grave concern, have also been reduced to rather small proportions. The exception has been the basic commodities which had been held under high rigid supports until about a year ago, and it is fair to assume that under the Soil Bank there will be sharp reductions in production as land is retired.

A good many farms have increased in size, and it is now estimated that family farms, which comprise the bulk of farming in this country, are up about 68 acres per farm since 1940. There is very little corporate type of farming, as we have pointed out in our letters on many occasions.

Before the market opened this morning there were the weather reports which showed a few rains in southwestern areas, and there were also some scattered showers in the Northwest, while a considerable amount of snow fell along the eastern slopes of the Rockies, but the latter, of course, was not much help to agriculture. One-half inch of rain was reported at Norton, Kansas, and about one-quarter at Great Bend, but the forecast is not optimistic, although there is apt to be some rain around the eastern sections of Kansas and Nebraska, but clearing elsewhere.

Flour business, which had taken some hedges out of the market yesterday was again a factor this morning. Very shortly it is expected that the Agriculture Department will announce formally that CCC wheat sales to mills against flour booked abroad will be discontinued. Thus, these mills will have to procure their supplies from the free market. It is indicated that the new program will be effective toward the middle of November

The primary run of wheat was not particularly heavy, and amounted to 1.1 million bu, or just a little more than last week, and about the same as last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 176,000 bu.

A Washington report predicted that the Agriculture Department would soon forecast the largest wheat shipments in years, to exceed 400 million bu. The weather map published at noon was no more optimistic than the earlier report, and altogether the situation is anything but pleasant. Firmness at Kansas City was more pronounced than here, although lately they have lagged a little behind us. The hedges that were covered against flour sales were easily obtained and caused hardly a flurry in the market. However, new highs were made for the season on export hopes. New York advised that Norway was in the market for rye but instead of making purchases either here or in Canada they bought 15,000 tons in Argentina. The spot basis for corn was rather firm, and the country is still not selling beans or corn in any quantity, which is naturally disappointing to elevator concerns. Even processors are a little apprehensive that they were unable to put away a larger stock of beans when the early movement was on. One of the locals firmed the oil market by moderate purchases, and this may have had a sympathetic effect on the bean market which was higher and closed near top levels.

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CHICAGO, 4 October 26, 1956.

It is an established fact that efforts to curb agricultural production by acreage limitation has had less than the anticipated effect owing to the fact that when these acres were retired farmers worked the remaining land more intensively, and with the aid of new technologies cash payments were transferred to agriculture in return for acreage limitations. Actually during the past decade and a half, or since the beginning of World War II, our total agricultural output has been increased by some 35%, on roughly the same acres that we had previously, but with substantially fewer workers. The production per man-hour in agriculture has more than doubled in the last two decades. On basis of the above it is argued by some economists that the efficiency of American agriculture may be carried even further along, and that with more acres being retired under the Soil Bank that it may not make any particular difference insofar as production figures are concerned. In our opinion, this is not true, particularly in wheat, where Soil Bank agreements now have reached a figure of 10.1 million acres.

It is estimated that the total acreage reserve sign-ups for winter wheat will cover about 11 million acres, and if, in addition, spring wheat farmers retire 2 to 2 1/2 million additional acres, the production of all wheat for 1957 could easily be reduced by 175 to 200 million bu. In fact, if we continue to have adverse weather conditions Southwest it might force even a greater reduction. It is probably too early to forecast the extent of participation by other crops in 1957, but the Assistant Secretary of Agriculture has given some figures, and in his estimate, he assumes that producer participation will be broad enough to use the full amount available for payments. It is assumed further that supply conditions for all the basic crops will be such as to warrant their inclusion in the Acreage Reserve program. The following is given with those stipulations:

Commodity	Acreage Reserve	Reduced Production
Wheat	13 to 15 million	175-200 million bu
Corn	4.5 to 5.5 million	175-225 million bu
Cotton	4-4.5 million	2.25-2.5 million bales

The Assistant Secretary is mindful of the fact that the Soil Bank will have quite an influence on fertilizer consumption. He feels it is entirely probable that farmers will intensify its usage on the remaining acres in basic crops, as well as on land devoted to other crops. Still it is our opinion that next summer's wheat crop will necessitate cutting rather substantially into the reserves that have previously been built up, and in our opinion, therefore, wheat finally will have to go to a rather high price level in order to bring this grain back into commercial channels.

We had some moisture overnight in the corn belt, where it had been very dry, but it will take a good deal more rain or snow to offset the very dry soil conditions. In the Southwest the immediate forecast is not particularly encouraging, although the five-day outlook suggests moisture that will range from 1/4 to 1/2 inch for Oklahoma, extending through Kansas to Nebraska.

Late yesterday the market rallied on additional flour sales, and the possibility that this country would export 400 million bu of wheat and flour. This is certainly no surprise to anyone who has studied the situation, as it has been claimed for some time that our total wheat shipments would easily be 50 to 60 million bu more than last season. Actually since July 1st we have run more than that amount ahead of the 1955 figure. While there was large flour business again overnight, our market opened very little changed, and possibly a good many hedges had already been purchased in anticipation of this business.

Primary receipts of wheat were 959,000 bu which compared with 871,000 bu last week, and 890,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 276,000 bu. When the visible supply of wheat is posted on Monday it will compare with a decrease last season of slightly over 3 million bu.

Trade was not heavy, but there seemed to be some buying of wheat on setbacks. The noon weather forecast was not at all optimistic for any real relief, and until we get a good soaking rain there is bound to be apprehension. The flour business that has been booked during the past few days has supplied many chains for an additional 30 to 60 days, and in some cases as far ahead as four months. At one time oils and beans reacted, and word came from a New York exporter that European requirements for US oil at current levels would be disappointing. The cable pointed out that soybeans had advanced from last month's low by 6%, while soybean oil had risen 14%. Late in the session it was reported that Chile had bought oil and markets improved.

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CHICAGO, 4 October 29, 1956

There is probably no period in our entire history where research and science has had so much influence on agriculture as has been the case during the past two decades. Few people realize that 70% of our crop acreage in 1954 was planted to varieties that were not even in existence commercially in 1935. In some cases, varietal shifts have occurred two or three times, but to be more specific it might be stated here that 80% of the wheat and 86% of the corn acreage are now in new varieties. In rice the same is true to the extent of 70%; for oats it is 92%, and for barley 83%. Sorghum grain acreage has been developed largely during this period, but new varieties to the extent of 95% are recorded for this feed grain. Merely to change varieties is not always beneficial, although in most cases it was relatively important for the reason that with the change there came better disease resistance, better yielding ability, and in some cases adaptability to mechanical harvesting which has been equally important in this day and age, where farmers have been so largely technicalized. Of course, there were also changes because of consumer preference, but in any case American agriculture has shown a sound capacity to produce and to meet progressive changes which also had to conform to soil conditions in the particular areas where these newer experiments have been tried.

Under such conditions it is naturally of equal importance that we find markets for products for the enlarged yields. The Agriculture Department, or at least some of the experts, now believe that our shipments of wheat and flour may reach a figure of 450 million bu during the coming season. This would be the highest level in the past eight years. In fact, we would have to go back to 1948 when shipments were larger than this amount, and in that year we had our banner clearances of 506 million bu. Looking at it in another way, 450 million bu is a huge figure because it would compare with about 500 million bu which is consumed annually by our 170 million inhabitants in the U S for all bread and cereal consumption. Thus, if we should reach that goal it would mean we would ship nearly as much abroad as we are eating at home. There is some doubt expressed whether we can do a job of this size under present ocean shipping conditions. There may be additional demands from Poland and Hungary, which are not included in the above forecast. Polish farmers, resentful of communistic intervention, have not produced fully according to their capacity, and conditions there, as well as in other satellite countries, are said to be very serious, indeed. There is even some talk that if Poland and Hungary should need foodstuffs from this country badly that we might take some of the ships from the moth ball fleet to meet the emergency. There is presently about 84 million bu of government wheat stored in the maritime fleet, in various Rivers and Sounds on both east and west coasts.

The carryover stock of corn which was given at 1,166 million bu compared with 1,035 million bu a year earlier, and the CCC share was 818 million bu under ownership vs 681 million a year ago. The trade believes that some rather large allocations will be made to Spain and other countries for shipment of oil products under PL 480. Figures show that possibly 131 million pounds of cottonseed and/or soybean oil may be shipped to Spain by June 1957. The American Soybean Association figures that Spain's total needs are for about 255 million pounds.

Chicago wheat stocks decreased rather heavily last week, declining 586,000 bu, but still leaving 15.1 million bu in this market. In corn, there was an increase of nearly 1 1/2 million bu to a total of 14.4 million bu. Oat stocks decreased to about 5 1/2 million bu, but the oats that were sold out of here apparently were in an effort to make room for other grains that pay better. There were no important changes either in rye or beans.

While markets were rather firm early, best prices did not hold. This was particularly true of the bean market, and there seemed to be fair liquidating orders that found the market rather poorly supported. In wheat there was the early news that some business to Yugoslavia might be put through by next Wednesday, and of course, general talk of large exports is having its effect, but apparently more attention is being directed now to the weather map, and both the daily and the five-day outlook anticipate some fairly good amounts of rain in most of the southwestern states, which would still be helpful even though it comes very late in the season. In any case, with milling demand largely satisfied for another few months and a chance for better weather, longs seemed willing to accept some profits. With March and May wheat reaching a figure of about $2.40 per bu there could be redemptions later on, and old crop wheat at 10¢ above the price of new does not appear to be too attractive to us. Corn held well, but carrying charges widened. Oats were weak.

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CHICAGO, 4

October 30, 1956

There were some very fine rains overnight, and we would say that southwestern areas were well benefited, particularly the eastern and central parts of Kansas and Oklahoma, but precipitation was very general, and while not uniformly good everywhere can only be regarded as being very helpful, particularly before freezing weather sets in. Even parts of Texas were relieved, and they also reported some moisture in the spring wheat belt, and probably more to come tonight and Wednesday. For the Southwest, it seems to be clearing in the western districts but more showers are likely for central and eastern portions tonight, with clearing conditions to follow. While there was not much moisture of any kind over the Corn Belt, there is at least a chance that showers and thunderstorms may occur tonight and Wednesday, with mild temperatures to continue.

All this had only passing influence, as most attention was focused on the Middle-East. After our market had closed yesterday it was announced that the Israeli troops had invaded Egypt. At first it was difficult to state how far the penetration had extended, but this morning we learned that the Armies were within 12 miles of Suez. There had been no armed clashes, and therefore, it could hardly be construed as full-scale war. It may have been designed merely as a dramatic military warning to Egypt in retaliation for border incidents which have caused tragic loss of life. Our country, together with France and Britain signed a tripartite pledge in 1950 to guarantee existing Arab-Israeli boundaries. We presume that we may be called upon to honor the pledge of assisting the victim of any aggression. Meanwhile, we are bringing the matter before the U. N. Security Council for further consideration.

Our market naturally opened higher, but there was probably less excitement than had been generally anticipated. The securities market did not show very great declines in New York, which may have tempered sentiment in grains. We have not heard anything further about possible exports to Yugoslavia and Germany, but this is still a strong possibility that business will develop between now and the balance of the week.

With the additional moisture that has occurred we presume that farmers will be encouraged to hasten the balance of their wheat planting. It is true, the Soil Bank has retired possibly 25% of the winter wheat acreage, so that a large crop next summer is hardly likely. However, wheat production is more completely mechanized than any other agricultural operation, and we have made such great progress that the plowing, the seeding, the combining, and even the binning seems to be no longer a manual affair. For example, in 1800 it took about 370 hours of labor to grow and harvest 100 bu of wheat; today, the figure is 26 hours, and even that is only one-fourth of what it was 50 years ago. No wonder, therefore, that farmers have become a minority -- less than 14% of the population. In spite of this, however, agriculture is still by far the largest single industry, and one-fourth of the productive effort of our people is spent in producing, processing, handling, transporting and distributing food.

Primary receipts of wheat were 1.3 million bu which compared with 1.5 million bu last week, and 1.1 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 51,000 bu.

There was probably a little additional flour business booked based on news from the Middle-East, but as the session wore on more attention was paid to the fine rains which had fallen overnight, and altogether these were probably the most general we have had in the Southwest during the fall months. There was less anxiety generally over political developments. The U S had called upon the U N Security Council to order Israeli troops to withdraw immediately from the Egyptian territory. Prime Minister Eden said that France and Britain had asked the Egyptican government to agree that Anglo-French forces should move temporarily into key positions at Port Said and Suez. As far as we can see, the present situation, while tense, should not lead to open hostilities if properly handled. Bean prices were quite strong early in sympathy with oil, but later reacted when the oil market declined. Toward the last there was short covering in both beans and oil, with the result that closing prices were very firm.

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CHICAGO, 4 October 31, 1956

Egypt and Suez were again in the spotlight, and even to a greater degree than yesterday. We would not hazard an opinion as to whether France and Britain had dealt previously with Israel in the preeent activities which almost seemed planned, but the speed with which our two European allies had acted and their reluctance to inform us of their plans, makes it look to some commentators as though the military intervention by force had been premeditated. This was further confirmed by the fact that our peace proposals were vetoed in the U N deliberations when we had brought forth resolutions calling for a "cease fire" between Egypt and Israel. Their determination to rush troops to the Suez Canal was on the grounds that the Security Council could not act quickly enough. Thus, we have a new development whereby we find ourselves aligned with Russia and Egypt, and apparently taking opposite views of our former allies on this most important question. Even though the issues are confused, we must admit that it does not necessarily denote open warfare, and certainly both Russia and Egypt have not shown strength probably for the reason that Egypt has only limited manpower under arms, while Russia is frightened that her Satellite countries may turn even more against her if she nurtured any favoritism in these Middle Eastern operations.

From a market point of view, we are not particularly alarmed. Appalling events such as these would naturally have a somewhat bullish effect on the market. However, if the fighting proves to be just of an isolated character its effect upon grains might be no greater than were developments during the Spanish-American war when other countries were not drawn into the conflict. There is, of course, always a chance that militant action might broaden, and to that extent the present difficulties naturally have some bullish implications.

Before our market opened this morning there was not much other news, except that the anticipated rains over the corn belt had failed to materialize in any volume. There was some moisture, however, in the Northwest, and we also had further precipitation in eastern sections of Kansas and Oklahoma and over parts of Missouri. Thus, there has probably been sufficient relief to permit completion of winter wheat seeding over wide areas where previously wheat had merely been dusted in the ground, and where germination had hardly been possible. As a further inducement to farmers temperatures have remained exceedingly mild for this time of the year, which permits a little more time to act.

Will Rogers once said that statistics were like garbage -- once they were collected you have to figure out what to do with them. In spite of this we are giving a few statistics here which we have taken from the U S Department of Agriculture: to-wit: - Nearly 30% of farms are classified as part-time and residential. Rural non-farm people make up 20% of our population. They are the citizens in 13,800 rural places of under 2,500 population and people who live in the open country. There is a 1 million net migration each year of people from farm areas to cities. Farm population has dropped 3 million since 1950. The number of farms continues to decline from 5.3 million in 1949 to 4.7 million in 1954. Because of some of these classifications where people living on farms are not devoted entirely to farming, it is also a fact that 1.5 million farm families earn less than $ 1,000 a year, and now that city suburbs stand next to or are a part of farm areas, an increasing number of farm dwellers find employment in nearby factories or stores.

Prime Minister Eden appearing in Commons made it very clear that Britain had to protect her own vital interest in the Middle-East either with or without prior agreement of the U. S. He insisted that both his government and that of France would only resort to military action for temporary duration. Later in the session Paris announced joint operations under way in the Canal area. The Defense Ministry made its announcement on receipt of a military report from headquarters on Cyprus that operations had begun and that combined aerial and naval bombardment was under way. With news of this kind all wheat futures and all rye futures went into new high ground. Nearby oat futures, together with May and July beans, did likewise. The great strength in beans was somewhat surprising in view of the fact that oil was relatively weak. It is naturally difficult to make forecasts as most traders are operating between dispatches from abroad. Undoubtedly Britain has considered this a strategic time to act, while Russia was backing her troops out of Hungary. Cairo admitted being bombed.

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CHICAGO, 4 November 1, 1956

The President's talk to the American people last night was very reassuring. As he spoke British bombers were raiding airfields in Egypt, and the U N Assembly had been called into special session. Mr. Eisenhower described the Israeli mobilization on Sunday last, followed by armed force penetrating into Egypt. He told of later events on Tuesday when British and French governments had delivered a 12-hour ultimatum to both Israel and Egypt, that was followed by an armed attack against Egypt. He pointed out that the U S was not consulted in any way about any phase of these actions. Nevertheless, he insisted that there would be no U S involvement in these present hostilities. He, therefore, did not plan to call Congress into special session, although he said he would keep in contact with Congressional leaders in both parties. He went on to say that it is and will remain the dedicated purpose of our government to do all in its power to localize the fighting and to end the conflict.

Since yesterday's markets had risen sharply on the possibility of an all-out war, it was only natural that this should have been followed this morning by at least some reactions. The fact, however, that there was still comparative stability may be attributed partly to the President's reference to the change of events in Poland and Hungary. He referred to their proud and deathless devotion to freedom, and said that the United States has made clear its readiness to assist economically the new and independent governments of those countries. Apparently we have already been in contact with the new government of Poland on this matter. It seems fairly certain that in view of the food shortages which must exist over there, that we shall be sympathetic and offer them economic relief and assistance.

Overnight weather did not show any particular moisture developments, although the recent showers in parts of the Southwest have given much new relief to many areas, which both encouraged additional planting of wheat and aided in germination. Heretofore, farmers had been seeding their crop in the dust but there seems to be enough moisture generally available to promote some plant growth. There are, of course, still a few exceptions. It will require a period of warm weather to accomplish this, but fortunately we have had a very mild spell during this fall period.

The USDA pointed out yesterday that in spite of greatly enlarged wheat exports, probably 70 million more than last year, our carryover on July 1st probably will be cut only by about 34 million bu. However, the story does not end here, and with acreage reductions under the Soil Bank we may find that in the summer of 1957 there may be only 48.4 million acres planted to wheat compared with 61.4 million acres for the 1956 crop. If the drought persists yields may be below average, although it is pointed out that farmers may tend to use more fertilizer, but in any case a reduction of about 200 million seems to be indicated. Thus our carryover reserve on July 1, 1958 may be reduced to 800 million bu.

During the past week the U S shipments of wheat and flour, according to Broomhall, amounted to 5.8 million bu, and the total since July 1st is 151 million bu compared with 78 3/4 million bu last year. Since October 1st, which was the beginning of the corn crop season, we have exported 8 million bu, which compares with 9 1/2 million a year ago.

Primary receipts of wheat were 1.1 million bu, about the same as last week and compared with 802,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 358,000 bu.

As we mentioned earlier, markets were easier, and many traders who had been quite nervous yesterday over possible war developments seemed more composed. On the other hand there was no great amount of selling, although a northwest elevator firm sold December corn again today; in fact, has been doing so now during the past few sessions. Wheat reacted, but there was some support by export houses, who had apparently done somebusiness overnight. Flour trade was small to moderate, but no general activity. We hear that the German buying of 150,000 tons of U S wheat has been postponed until November 7th, although they are expected to make their purchases of Canadian wheat tomorrow. The Santa Fe Railroad report is not particularly optimistic with respect to crop conditions over the winter wheat belt, but their comments were in line with state and private views.

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CHICAGO, 4 November 2, 1956.

The U N Emergency Assembly burned the midnight oil, and the hearings went into early morning, as State Secretary Dulles introduced a resolution imploring Britain, France, Israel and Egypt to lay down their arms. The Assembly voted 64 to 5 to uphold this measure, and called for an immediate cease-fire in Egypt. It also urged Britain, France, and Israel to leave that country and recommended a prompt reopening of the Suez Canal. Mr. Dulles warned that fighting must stop in the Middle East lest it becomes a conflagration, endangering us all. He warned that the apparent impetus of the International organization might lead other nations to take matters violently into their own hands. In any event, there was some rather strong language used, but the majority of nations favored peaceful methods of dealing with the situation. This in turn had its effect upon our markets this morning, as practically all of our commodities showed further reactions, while opening prices in stocks were higher, indicating that there was less apprehension now over militancy spreading further.

Meanwhile Prime Minister Edan's government had defeated a motion by the labor party to censure it because of its military action against Egypt. Thus the majority by a plurality of 69 votes regained its margin over the opposition.

In the early trade there was a considerable amount of selling of wheat, although an export house that had been prominent on the buying side yesterday was doing the same thing this morning. There was also heavy selling of December corn, despite the fact that the U K had bought some parcels, but apparently hedge selling predominated. There was hardly any moisture of consequence during the past 18 hours, but the outlook is for snow in the Southwest, and a storm of marked intensity has developed over western Kansas. There has also been a fair amount of snowfall reported over Nebraska. The storm is moving rapidly eastward and should bring rather pronounced precipitation either in the form of rain or snow over a large portion of the southwest area over the weekend.

All was not quiet in Hungary, where just a few days ago the Russians had been retreating, and apparently there were some disturbances around Budapest. Radio Bucharest also admitted there was some unrest in Rumania, where students had been rioting against the communistic regime,-apparently encouraged by what had happened in the neighboring country of revolt-torn Hungary.

According to the USDA current prospects point to world output of major foods in 1956-57 about the same or slightly larger than in 1955-56, which had also been a good year. Crop conditions were generally favorable in most parts of the world except Europe and Australia. The output of livestock products, particularly dairy products, will show further small increase in the coming year. On the other side of the picture they say that with increased consumer incomes, the quantity of food consumed is rising in those areas of the world having generally low levels. There is also widespread shift to foods of higher quality. Here at home the total supply of food fats and oils for the coming marketing year will be about as large as last year's record level. Smaller stocks at the beginning of the current marketing period are expected to be offset by increased production. Supplies of butter and lard will be somewhat smaller, but those of vegetable oils will be larger.

Primary receipts of wheat today amounted to 899,000 bu vs 959,000 bu last week, and 929,000 bu last year. Kansas City and Minneapolis wheat stocks so far this week show a net decrease of 512,000 bu. When the wheat visible is posted on Monday it will compare with a decrease last year of 3,406,000 bu.

Early in the session there was some covering of hedges due to export business in wheat, but later liquidation took place, and probably some evening-up over the weekend, with uncertainties as to the Middle East situation. It has been reported that the U S favored the proposal made by the Canadian Foreign Minister to create an U N force to keep peace until an over-all Middle East settlement can be reached. Anthony Eden is expected to make a statement tomorrow on the U N call for cease-fire in the Middle East. Flour business was rather slow overnight, and prospects for snow over part of the Southwest had its effect on prices.

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CHICAGO, 4 November 5, 1956

The dread and the horror of modern warfare is so terrible that few people believe it at all possible that we are heading for World War III in the near future. Nevertheless the side skirmishes make one wonder whether it is at all possible to have world peace while aggression is still in the minds of many rulers in an effort to gain their ends. At almost the same time that Russia was criticising France and Britain for trying to take the Suez Canal by force, her own armies and tanks were re-entering Hungary, seizing control of the government by the cruelest methods. Probably the victor in the last skirmish was the U. N., which showed tremendous courage by demanding a "cease fire" against Britain and France even though many of the participants may have been partially sympathetic to those countries in trying to regain control of the Suez. At least it showed that body to be more than merely a debating society.

It was only natural that there would be some early buying in this morning's market although there were other factors that were also present. Moderate to heavy rainfall fell over the central and eastern sections of Kansas, Nebraska, Oklahoma, and Texas, and the amounts exceeded 2 inches in several localities, which, of course, was very beneficial following the long period of drought. In the western portions of those states the moisture was not so good, but there was rainfall over many portions of the spring wheat sections, and the thirty-day forecast is somewhat more optimistic in anticipating normal rainfall over most of the nation east of the Continental Divide.

It is probably a little easier for political news to influence a market at the present time, as gradually the statistical picture is shaping itself better. First of all, exports during the first quarter of the present marketing season were about 69% ahead of last season. For the July-September quarter, wheat and flour shipments totaled 118 million bu this year as against 70 million bu last year. The improvement was largely the result of unfavorable crops in Europe last winter, although our selling policies helped, particularly where we took foreign currencies in payment. In any event heavy demand for U. S. wheat is expected to continue throughout the year, although we shall probably not cut very heavily into our reserves. It has been estimated recently that we shall probably carry a billion bu wheat into the 1957-58 crop season. Beyond that, however, there is considerable relief in sight. According to fresh figures received from USDA, 10.5 million acres have now been signed up under the Wheat Acreage Reserve. Probably much of this land went into the Soil Bank's 1957 program before the moisture arrived, and thus farmers participating will be eligible for a maximum of $196.6 million, which is a rather tidy sum. The largest participation was Kansas, where 4.2 million acres are involved. The second largest State is Oklahoma, with 1.3 million acres, and Colorado coming third with 1.2 million acres.

In the early dealings beans were also very strong, and advices from Washington stated that unless the Suez Canal situation is solved promptly and the Canal is operating normally, beans might move into higher ground despite a record-breaking crop. On the other hand it was noted that any impediment to Manchurian beans to Western Europe might force the Chinese to offer their product at bargain prices to Japan. Thus one aspect seems to merely cancel the effects of the other.

Wheat stocks in chicago continued to decline, 584,000 bu was the decrease, leaving 14 1/2 million bu here. Chicago oats stocks are in a similar situation, and the local supply has been reduced to 5 million bu. Apparently sales are being made out of Chicago on both these commodities to make room for other grains. The corn stock increased 1.7 million bu to a total of 16.1 million, but the bean stock declined to 9.2 million bu.

Toward mid-session there were reports from London that Britain had ordered "cease-fire" in the Port Said area. In announcing this action, Eden told the House of Commons that the Egyptian military Commander was discussing surrender terms with the British General. Later on Britain and France accepted the U N plans for an international police force in the Middle East, but said that their military action in Egypt would continue until Egypt and Israel also agreed. In any event, grains quickly lost most of the gains that had been earlier attained, and there was a considerable amount of selling. There were recoveries, however, and corn closed barely firm, and wheat prices were not much changed, but of course, there is the election tomorrow, and what may happen while the market is closed in the way of Eurpean news is always a little difficult to foretell. In any case, traders evened up their positions.

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CHICAGO, 4 November 7, 1956

Yesterday's national election brought no great surprises. Mr. Eisenhower undoubtedly rolled up a greater majority over his opponent than the pollsters had forecast, and this may have been due to the fact that with the exception of Missouri, almost all the farm states had apparently gone along with Secretary Benson's program. While farmers are not in all instances satisfied with their share of the economic dollar, they still feel very strongly that they should not be placed in a position of working for government bounty in preference to producing for a free market. This was brought out rather forcibly in Secretary Benson's last book, in which he stated: "Price supports which tend to prevent production shifts towards a balanced supply in terms of demand and which encourage uneconomic production and result in continuing heavy surpluses and subsidies should be avoided." He has always insisted that we should seek ways and means of improving the operation of free markets. In another part of the book, he stated: "Inefficiency should not be subsidized in agriculture or any other segment of our economy. Relief programs should be operated as such -- not as an aid to the entire agricultural industry. Emergency programs should be terminated as soon as the emergency is over."

Before our market opened this morning there was other news that was construed in a rather optimistic vein. It came from the Middle East and had to do with a "cease fire" order, which may be the beginning of the end of hostilities in that section of the world. Just how the question of the Suez Canal will be settled remains to be seen, but apparently it will be at the Conference Table rather than on the battlefield. It had been considered quite likely that if Poland and Hungary had thrown off the Russian yoke, we might send foodstuffs to those countries. This morning, however, there was a dispatch from Warsaw that the Soviet Union had promised to give Poland a million tons wheat, and this apparently was a gift from the Soviets, although complete details of the transactions were still not available. Poland has been facing serious food shortages because of the smaller harvests and reluctance on part of the peasants to deliver grain to the state. To what extent this will lessen demands upon us is also something that cannot be definitely told at this writing.

There was very little moisture over the holiday, and the 5-day forecast does not predict much change in the weather pattern, although it should be remembered that the Southwest has had some fairly good relief, although we can still not expect a large winter wheat crop, with 10 1/2 million acres retired under the Soil Bank.

There was a little export business overnight, Austria having purchased a cargo of #2 dark hard winter wheat for November-December shipment, and they also bought 2 cargoes corn. The U. K. and Germany also bought a few parcels of corn, and we were told that CCC has sold exporters 500,000 bu milo at prices ranging from $2.23 3/4 to $2.25 7/8.

In Canada statistics continue somewhat bearish. We too often forget that once upon a time the Canadian wheat carryover was almost negligible and sufficed only for emergency purposes. This year it amounted to 527 million bu, while domestic consumption in that country is probably no more than 160 million bu. Total supplies of various commodities, including reserve stocks, on hand this year with last year's comparisons follow: (Million Bushels)

Carryover	Wheat	Oats	Barley	Rye	Flaxseed
1956	1,038	628	382	23.4	36.2
1955	993	486	343	33.1	20.9

Primary receipts of wheat amounted to 1.9 million bu, this was for two days. It compared with 961,000 bu last week, and 790,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 104,000 bu.

Trade was not particularly large, but after some early selling there appeared to be some support, particularly in beans, which was probably in sympathy with higher oil prices. While our market was closed yesterday, there was a fair export demand for oil. Wheat also recovered, probably due to lack of pressure, but there was no special news until late in the day when Yugoslavia bought wheat. The business to Greece has been postponed to November 27th. The U N Secretary General has begun negotiations with the Egyptians, British and French to arrange the stationing of an international police force in the Middle East.

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CHICAGO, 4 November 8, 1956

European political news was generally disconcerting. The Soviets, as had been expected, won their battle in Hungary and resistance finally ended, as the rebels had to give up before such overwhelming odds. In the Middle East Israel rejected proposals for the stationing of foreign troops on their territory or on any areas that were under Israeli occupation. While the general fighting at Port Said had calmed down, there were a few occasional shots, which seemed to be last-minute skirmishes by some of the die-hard fighting elements. Meanwhile, the U. N. had adopted a resolution approving plans for organizing the new Peace Brigade.

It was almost a foregone conclusion that our market would open higher, and all other news was again thrown into the background. As a matter of fact, there was nothing particular in the weather except that temperatures had dropped considerably over wide areas, and while there were a few snow flurries in the Southwest, there was really not enough to count. It is quite likely that more moderate temperatures will follow in southwestern sections, but we have reached a season of the year when fall growth is pretty well over. According to the Oklahoma weekly report, moisture conditions are now the best in several months and good progress was made during the past week in planting small grains. They say that moisture is now available not only sufficient to germinate seed, but also, to assure plant growth and root development. This is probably the most optimistic report we have had since August. The same is more or less true in most sections of Kansas where there was considerable improvement during the past week. However, in that state the drought continues unabated in the southwestern and west central areas where wheat prospects are very poor. For the state as a whole 86% of the intended acreage has been drilled.

In Europe, Broomhall tells of mostly favorable planting and germination for winter grains. Weather is clearing in France, and planting has progressed rapidly, with many farmers working well into the night. It is likewise mostly clear in Western Germany but seeding there has been somewhat backward. Italian conditions on the other hand are quite favorable for completion of planting and germination. The same authority said that weather conditions in Australia were more favorable for wheat and conditions are somewhat better, but previous adverse conditions and a small acreage will probably cut the crop to a figure of 125 to 130 million bu vs. 196 million bu last year. During the past week our shipments of wheat and flour were very heavy and amounted to 9 1/4 million bu. Since July 1st we have exported over 165 million bu, which compares with 81 2/3 million bu a year ago. Thus the combination of foreign aid and selling for foreign currencies seem to be important factors in these large transactions. The foreign demand generally is much more active than last season due to smaller crops in Europe. Five nations have placed afloat 277 million bu wheat since August 1st, which compares with only 168 million bu a year ago. Since the 1st of October, the U. S. has shipped 9 1/2 million bu corn abroad, which compares with 11 3/4 million bu last season.

Primary receipts of wheat today were quite heavy at 1 1/2 million bu, which compared with 1.1 million bu last week and about the same last year. Kansas City and Minneapolis wheat stocks so far this week show a total decrease of 106,000 bu.

Our markets today were largely influenced by developments in Europe and the Middle East. We heard little talk of commercial transactions, although the Agriculture Department had authorized Yugoslavia to buy $6 million worth of wheat with its own currency. This authorization was issued under a priviously announced sale agreement covering about 100,000 metric tons. Early in the day there was news of mounting anxiety over large scale Soviet troop movements in Europe, and markets all rose, but in the last hour of trade there was less tension when Egypt agreed to accept 10 United Nation observers to watch over the "cease fire" in the battle area. Major General Burns of Canada, Commander of the project of U N police force had apparently flown to Egypt primarily to check with Egyptian authorities, and stated that U N Secretary General Dag Hammarskjold wanted to get the police force in operation as soon as possible. Trade was naturally nervous with international news changing so frequently. One house was rather a prominent seller of rye against which they bought corn. Otherwise, there was nothing very specific to report.

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CHICAGO, 4

November 9, 1956

After the close of the market yesterday, there was a change in the complexion of news from the Middle East, and apparently Israel had agreed to take its troops out of Egypt as soon as the U.N. sent in its patrol force. This was somewhat of a concession on her part, having seized the Sinai Peninsula and probably all of the Gaza strip. However, pressure from our country was being heeded and the fact that more Russian volunteers were threatening to enter Egypt may have also played its part. Most of these so-called volunteers are reserve officers or enlisted men of the Soviet Armed Forces, and the numbers of those who are willing to serve with the Egyptian Armed Forces is continuing to rise. However, the Soviet Union seems prepared to hold this volunteer program in abeyance until the situation in Egypt has been clarified. As far as we can tell there have been no arrangements between Cairo and Moscow for the actual incorporation of Soviet volunteers into the Egyptian fighting forces. Nevertheless, all this shows a very tense relationship and peace-loving people everywhere are breathing a little easier this morning, although the Soviets have been ruthless in their attacks upon Hungary, and there have been hundreds, even thousands, of victims in the last brutal purge, which has been conducted by Imperialist Communism. According to advices from Washington, Russia's disturbing actions have not been fully assessed, but the general feeling is that peace moves by Britain, France, Egypt, and Israel have now stripped the Soviets of any pretext of using force. They also believe that prospects are brighter for settling the Suez Canal crisis and even smoothing Arab-Israeli difficulties.

Our market might have been lower, at least for wheat, had it not been for a large export business that took a great number of hedges out of the market, and there seemed to be one house in particular, prominent in buying. According to advices from New York, the West German government has issued import licenses for the purchase of 13 million bu U.S. hard wheat for shipment during the period from November 15th to the end of February. There were also some parcels of corn sold to the U.K. but the latter business was apparently not big.

Generally fair weather prevailed over the grain belt during the past 24 hours. Temperatures were somewhat below normal, but in the Southwest there will be some moderation although no precipitation is expected either for overnight or in the 5-day outlook.

The loan figures were published late yesterday and the amounts of wheat impounded during the past 30 days were smaller than last year, but the total is now 197.7 million bu vs. 180.1 million bu in 1955. However, redemptions due to favorable prices have amounted to 7 million bu, which is more than last year and it is not thought likely that the total this season will exceed 275 to 280 million bu, whereas a year ago there was 320 million bu finally placed under loan. Moreover, if the market stays up there could easily be large quantities withdrawn from supports, although this may not come until much later in the season, as farmers have until April 30th to decide that issue. In the meantime, they may also be speculating on the possibility of a higher market.

Primary receipts of wheat were a little over 1 million bu today, which was somewhat larger than last week, and also a little more than last year. Kansas City and Minneapolis stocks since last Monday have shown a total decrease of 187,000 bu. When the visible supply of wheat is posted on Monday it will compare with a shrinkage last year of 2.3 million bu.

The main feature in today's wheat market was the heavy export buying, and it was presumed this was mostly to Germany. Our market was reasonably strong most of the day, while at Kansas City they lagged. Considering the large volume of hedges lifted, exporters did pretty well, as there was considerable profit-taking on part of longs. We now hear that in 36 states there has been 10,670,000 acres of winter wheat placed in the Soil Bank through November 2nd. This, we believe, will be pretty close to the final figure, but later on there of course will be the spring wheat acreage, with possibly 2 to 3 million acres involved there. We would say that there was a large business today in Chicago cash wheat that will be shipped to exporters. This is presumably hard wheat that will be favorable for blending purposes, but by the same token it will reduce Chicago stocks sharply. Products today were strong, with meal and oil higher. Much of the buying was on anticipated exports, and the Poles are acknowledged to be sadly short of fats and oils. Italy also will be involved as buyers of vegetable oils, and then, of course, there are some other countries like Spain and Portugal. Beans were strong in sympathy, and a good many people feel that our fats and oils could be made available to eastern European countries who may break away from communism. The spot market in corn was stronger, and there was a good deal of local buying of futures.

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CHICAGO, 4 Nov. 12, 1956.

While most news still centers on the Middle East, we cannot help deplore the brutal attacks on the Hungarian people who have been fighting for the preservation of liberty, but in doing so have sustained heavy losses. Western estimates of the number killed in the two weeks of revolt includes 20,000 Hungarians and 5,000 Russians, all a needless loss of life, but, of course, the odds have been so great that under Russian gun-firing Hungarian resistance is gradually dying. As far as Egypt is concerned, she finally consented to permit the U. N. police patrols to enter that country immediately. As we were celebrating Armistice Day in this country yesterday, there was still some shooting along the Suez Canal, but apparently the fighting had lessened, and also casualties were few.

Our markets today were influenced by a number of factors. Late Friday there had been a government report, which showed an appreciable increase in last summer's corn crop, and production is now given at 3,412 million bu, which is an increase of 43 million over the month earlier. In spite of this great optimism the market started quite steady and may well have been influenced by the coming referendum, which has been scheduled for December 11th, at which time farmers are to decide whether to abandon the allotment system and accept probably lower price supports, or whether they will accept the new terms that have been prescribed. The 1957 allotment is about 16% smaller than the one for 1956. It is because of the possibility that farmers might accept and that we might have a smaller acreage planted to corn in the commercial areas that some buying took place this morning, but it may have been helped also by the fact that offerings from the country were very small. The government reduced the production figure for the bean crop to 457 million bu, which was a cut of 13 million bu from the October report. This is still the largest crop we have ever raised by a big margin but comparatively speaking there were some disappointments and the market opened quite strong.

There had been a large export business in wheat last week, principally to Germany, and according to reports from New York this morning that country probably bought a total of 270,000 tons, including some sales over the weekend, so that there was probably 10 million bu involved, and a good many hedges were recently taken out of the pit, which naturally had considerable market effect. Some of the shipments will carry through to end of February, but in addition to these transactions there is also some export trade expected shortly with Yugoslavia, Turkey, and Chile, and thus the market will be subjected to the further lifting of hedges when that time comes. On the other side of the pictureis the fact that atpresent price levels, redemptions are heavier, and aswe recounted in a recent letter 7 million bu wheat had gone out of the loan thus far, and we may expect that this process will also continue with the result that the final figure on impoundings may be considerably smaller than in past seasons. Thus the carryover of free wheat may be fairly large in spite of the fact that we are looking forward to a year of very heavy export shipments.

Chicago wheat stocks showed a large decrease of 875,000 bu, which leaves 13 3/4 million bu in this market, but corn increased 1 3/4 million bu to a total of nearly 18 million bu. Oats decreased, leaving 4.7 million bu here. Changes in rye were small, but there is less than 3 million bu here in Chicago. Beans were likewise little changed, with 9.1 million bu here.

Markets were all very strong at the beginning, but better news from Egypt brought some selling into wheat, and this later spread to other cereals. Flour dement over the weekend was poor, and there was very little encouragement from that source. Corn for quite a while held very steady, and #2 yellow in the spot market sold at 3¢ under. There seemed to be a rather bullish sentiment, but later on when general liquidation set in, corn went down with the balance of the list. Oatswere quiet weak, and there was no special news, but there has been a fairly large open interest, and with some selling the market was found to be rather poorly supported. Trade on the whole was small and of a holiday character, although the stock market was open as were we, but the banks were closed. Beans acted pretty well and there was buying on setbacks. The markets for fats and oils were strong.

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CHICAGO, 4 November 13, 1956

Recent events in Hungary are a reminder that civilization is but a thin veneer and that we have not yet emerged far from the savage state. It should be a reminder to all of us that we must never take Democracy for granted. The most serious of all threats to Democracy is the indifference, the complacency, and the ignorance of those who have shared Democracy's benefits. We should never fail to sense what espionage, terrorism, completely arbitrary and despotic rule would mean to us individually. This likewise recalls that in the mid-40's a research center made a scientific survey among grown-ups in this country to find out what they knew about the Bill of Rights, the cornerstone of the great structure of our freedoms. The survey was a saddening and an illuminating one because 31% of the people said they had never heard of it; 36% had heard of it but did not know what it was; 12% gave a confused or incorrect identification, such as women's suffrage, or prohibition; 21%, which is certainly a small proportion of our peoples who were interviewed, had a reasonably accurate idea of what the Bill of Rights was.

Before our market opened this morning there had been little change in the character of the news. Weather was about the same as it has been for months; namely, dry. There seems little chance for precipitation anywhere in the immediate future. News from the Middle East indicated that the U. N. police force now stationed in Naples would soon proceed to Egypt and would be accompanied by Dag Hammarskjold. It is to be hoped that all this will lead to more peaceful operations in that part of the world. Egypt is still claiming that she will exercise full control over the U. N. forces in her country, and Nasser still insists on the immediate withdrawl of those forces if he so orders. The Egyptian President still stands firm on the demands that British, French, and Israeli troops leave the country. The U. N. has asked Israel, which is balking at giving up the Gaza Strip and the Sinai Penninsula, to spell out its terms for evacuation.

Our market this morning was probably influenced by other factors. More attention is devoted to the possibility of larger wheat redemption now that prices have reached an attractive level and offer more incentive to farmers for withdrawing their wheat from loan stocks. We cannot remember a year since 1938 when the early withdrawals during October and November had reached a figure of some 7 million bu, as is the case presently. This was not true even in years when total impoundings went above the half-billion bushel mark. Thus we can foresee the possibility that even with the heavy exports this season, we shall have a large quantity of free wheat if prices remain fairly stable.

Turkey is expected to buy some wheat from us shortly but the German business seems to be nearly completed, and we are now told that about 11 million bu was booked, and this leaves only about 2 million more to be cared for. The business to Yugoslavia will probably not come until later in the month. Ocean tonnage is advancing and we presume is influenced somewhat by longer passage of many vessels that cannot use the Suez Canal. Many of the shipments to Europe originating in the Far East have to take the longer route, which likewise adds considerably to the costs of consumers.

There was not much in statistics today.The U S visible supply was late in being posted, but for the week there was a decrease in wheat of 5.4 million bu; this left 376.3 million bu in various positions. Corn increased 6.8 million bu, soybeans decreased 203,000 bu, and there was a shrinkage in rye stocks of 717,000 bu.

Trade was not particularly heavy, but after mid-session, the wheat market, which had been somewhat lower, rallied when Secretary Benson announced that Turkey had agreed to buy $46.3 million worth of wheat and other farm commodities for payment in their currency. The agreement covered about 18 million bu of wheat, also included smaller quantities of corn, frozen beef, etc. While there was some speculative buying, we also noted that one of the export houses which had been prominent in covering hedges yesterday and the day before also made a few small purchases this morning, but the market was very indifferent. There was not too much feature elsewhere. Corn was somewhat lower, and it is our belief that with the large crop that has been raised there is no great incentive to buy on bulges, even though country selling at the moment is light, and the cash basis in Chicago maintains a firm tendency. Beans declined, but pressure was mostly on the deferred futures with the nearby months gaining a little ground on the distant. One of the economists at the University of Illinois compared this year with 1954 and pointed out that prices were highest in November and declined by the following summer. This may have had some influence on sentiment, as did the fact that export business is quiet, and cash prices in the East have weakened.

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CHICAGO, 4 November 14, 1956

We have talked so often in these letters about modern technology that we refrain from saying too much, not wishing to bore our readers, but we do believe it is significant that this year's corn crop is the second largest in history and is actually the highest in average yield per acre we have ever had. It was helped, of course, by warm, clear October days which speeded the drying in the main corn belt areas and also in northern sections where immature corn had been hit by frost. Nevertheless, we should not lose sight of the fact that the harvested acres were only 77.6 million while the ten-year average in the period, 1945-54, amounted to 83.2 million acres. It is likewise interesting to note that before the advent of the soybean, there was about 100 million acres of land devoted to corn. Gradually this was reduced as more acreage was tilled for beans, but even today the total land area for the two commodities is still close to the 100-million-mark, as we had nearly 21 million acres of beans harvested in 1956, and the increase in acreage from the year before was almost entirely at the expense of corn. Therefore, this relationship seems to be fairly constant and indicates that there are no new lands being opened up, nor does the acreage of other commodities, such as oats, barley, hay, or clover, have much influence on the situation as it relates to the two major commodities to which we have been referring.

It is all a very dramatic story with soybeans now bringing farmers a billion dollars per year, while back in 1924, American farmers harvested just under 5 million acres, or about one-fourth as much as was the case this year. Thus in three decades agriculture has developed a new major crop, a new major industry, but what has been equally miraculous is that it also found a new untapped market. Just think, what might have happened if we had not found a crop of this kind adaptable to the Great Plains states. It would have meant that our corn crop this season would probably have been about 26% greater, and in that case our surplus problem might have been even worse. Even as it is Mr. Benson is trying to find methods of curing the perplexity of accumulations. It is said that he will urge the President to renew his request for legislation that would permit domestic sales of government owned wheat below current minimum prices. Last year there was a recommendation to cut this minimum to 100% of support price, plus carrying charges, but it had not been accepted. The Farm Chief also wants authority to sell wheat not suitable for milling purposes at prices that are competitive with other feeds. The third proposal would exempt farmers who have less than 15 acres of wheat from any penalties for exceeding allotments so long as all the wheat is used directly on the farm. Meanwhile, the disposal programs for export are continuing whereby we sell for payment in foreign currencies, and Mr. Benson's hope is that probable legislation will extend this feature of the program with additional funds made available, as the authorized $3 billion probably will be used up prior to June 30th.

There was heavy export business overnight and one house was again very prominent in covering hedges both in December and March wheat, which had considerable influence, although a commission house that had previously been prominent on the constructive side of the market was a heavy seller, thus making it comparatively easy for the hedges to be acquired. One broadcast over a major network had given some disquieting news before the opening with respect to the Egyptian situation, which probably had its influence also, particularly as some of the volatile stocks had been weak.

There was a better forecast for moisture Southwest, with snow expected over parts of Kansas and Nebraska by Wednesday night, with as much as 4 inches probably in northwest sections of Kansas.

Primary receipts of wheat were only 751,000 bu today, which compared with twice that amount last week, and 964,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 88,000 bu.

There was a fairly bullish sentiment in wheat today; export buying started right at the opening, although we understand that CCC probably has supplied a large percentage of the wheat recently which has been sold abroad. We heard a figure as large as 10 million bu which was probably released against barter or export scrip. Moreover we are told that redemptions in the Southwest are becoming very sizeable, and therefore, even with large export clearances, markets may not have such an easy time in maintaining bulges. Beans were quite strong, and there was a good deal of local buying due to the fact that oil prices were again very strong. Corn was rather indifferent, and there have been so many hedges placed in our market here during the past week or ten days that even some of the large speculative buying has not had too much influence.

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CHICAGO, 4

November 15, 1956

We are convinced in our own minds that there never could have been the increase in the number of federal programs except for the fact that more and more activity has centered in the federal government, and, unfortunately, demands upon the federal treasury can be too readily realized by an organized few over the feeble protests of an apathetic majority. President Eisenhower put it well when he stated: "The federal government did not create the states of this Republic. The states created the federal government. The creation should not supersede the creator. For if the states lose their meaning our entire system of government loses its meaning and the next step is the rise of the centralized national state in which the seeds of autocracy can take root and grow." There is, of course, another factor involved: namely, that vast funds were made available for various projects and programs. For example, 25 years ago in this country all taxes, including federal, state, and local, took about 14% of our national income. Today these same taxes take 31%. This, however, is not the whole story, for if we go farther we find that 25 years ago the federal government received one-fourth of all the taxes collected in the U. S. Today, however, the federal government collects three-fourths of all of our taxes, and thus has funds to do many of the things which undoubtedly should be reserved to the states themselves and to the people, all of which was provided for in the Bill of Rights.

Before our market opened this morning, news from the Middle East was much more optimistic than it had been yesterday. The dispatch which came via Bonn, Germany, stated that Egypt and other Arab states had turned down the Soviet and the Red Chinese offers to send volunteers to the Mid-East. In the meantime a U. N. police force had landed in the Suez Canal zone, and for the time being at least it looks like a much more peaceful situation. Much of the recent buying has been due to these great uncertainties in the Middle-East, and to be sure they have not all been settled overnight. However, there was a long interest that had been built up in grains and in beans, and May beans registered a season's high just before the close of the market yesterday. It was not surprising, therefore, that selling orders predominated this morning, although there were some hedges covered in wheat against a better flour demand. There was a fair amount of moisture overnight, but it was rather light in the Southwest and came mostly in the form of snow. An unsettled condition still prevails and there may be further precipitation during the next 24 hours.

Another factor this morning was a statement from Secretary Benson to the effect that corn price supports for the 1957 crop would be dropped to $1.36 a bu if the acreage allotment system remained in effect. Otherwise, it would be $1.31 should farmers switch to a new, easier type of planting controls. This compares with supports during the current season of $1.50 per bu. He also announced that there was no plan afoot to offer any price supports to farmers who ignored production controls next season. At the present time producers who have failed to comply with these controls still receive a support of $1.25 a bu. Farmers will choose between the long-standing allotment system and the less restrictive base acreage program when the referendum vote is cast December 11th. Farmers who retire corn acreage under the Soil Bank will earn government payments equal to 90¢ multiplied by the number of bushels of corn they likely would produce if they cropped their land.

Primary receipts of wheat were a little less than 1 million bu, which was not far different from last year, but compared with 1 1/2 million bu last week. Kansas City and Minneapolis stocks so far this week show a total decrease of 245,000 bu.

Our markets opened quite weak, and were influenced by moisture reports, and the improvement in the political news, but there also was some improvement in the flour demand, and particularly the hard winter wheat mills seemed to have done some business overnight. However, The SouthwesternMiller is of the opinion that most trade is already too heavily booked to permit large-scale activity, at the moment. There was also some buying of wheat by a house that was presumably against export sales. This may have been business still in the offing, as we did not hear of much trade this morning except it was reported Yugoslavia had bought some parcels of red winter wheat. The nearby delivery; namely, December, was wanted by hedgers who were changing over to the more distant futures, and it is not likely that tenders on the first of the month will be heavy. Beans were quite weak and the country was also offering a little more freely, which probably brought some hedges into the pit. The corn basis remains quite firm, and there is no appreciable pressure from the country, but we believe that Mr. Benson's overnight statement has some bearish implications.

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CHICAGO, 4 November 16, 1956

Secretary Benson spoke before the National Grange at Rochester, N. Y. two days ago. He emphasized again his strong belief in price relationship as it affected not only production, but consumption as well. He stated emphatically that prices must continue to furnish this kind of guidance to the American economy, which includes agriculture. Therefore, he said that price flexibility is necessary if prices are to perform their essential function of guiding the productive resources of American farms and ranches. While fully cognizant of the surplus problem, on which this administration has been working for several years, he still believes that other temporary measures are a necessity to bring about the desired results. In fiscal 1956, he pointed out that $2.7 billion worth of government-held surplus was moved out of storage and into use either at home or overseas and in the last three years we have moved over $6 billion worth of such goods, having accomplished this without a disruption of normal markets. He places considerable emphasis, however, on the Soil Bank, and figures that: "At normal yields the 11 million acres of winter wheat land going into the acreage reserve would have produced about 165 million bushels. The spring wheat sign-up will be undertaken later. But perhaps a spring wheat acreage that would normally yield 40 to 50 million bushels can also be brought into the Soil Bank. Thus the actual wheat harvest of 1957 might be reduced by as much as 200 million bushels as a result of the Soil Bank programs. Roughly this quantity could then come out of our accumulated surplus carryover." From this he concludes that if wheat exports increase about 70 million bu over the year before, we might be fortunate enough to bite into our wheat accumulations by 250 to 275 million bu, or about 25%. All this is surrounded by many "ifs" and "ands" but in any case he is optimistic that the outlook for wheat producers will be immensely improved.

Before our market opened this morning there was not too much to guide it. Developments in the Middle East continue to be rather satisfactory, although nobody can be entirely sure that everything will remain peaceful. For the time being at least, U. N. activities are going along unimpeded by any Russian disunity. On the East Coast there is a longshoremen's strike in New York, which is apt to spread to other ports. We had a wire this morning that the Galveston Wharf Company and the Houston Public Elevator were unable to unload either trucks or cars due to the strike. This could, of course, slacken the wheat demand. More attention, of course, will center on the length of unsettled conditions in that labor field.

According to Broomhall, world shipments of wheat and flour were smaller for the week and amounted to less than 3 1/2 million bu, but since July 1st, they have been far ahead of last season, and the total is 168 3/4 million bu compared with 84 1/2 million bu at that time. Our corn exports for the week were slightly under 1 1/2 million bu, and since October 1st have totaled 12 million bu vs 16 million last season.

There is nothing much indicated in the weather except that temperatures have dropped and will be somewhat below the normal with probably little if any precipitation in the Southwest. Rains have moved to areas mostly along the Atlantic Seaboard where they have had ample moisture even before now.

Primary receipts of wheat were 960,000 bu; this was a little less than last week, and a little more than last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 456,000 bu. When the visible supply of wheat is posted on Monday it will compare with a decrease last year of 5,826,000 bu.

Markets were only fairly active, and it seems when the commercial business dwindles that all traders are affected. The longshoremen's strike will naturally retard business, but if it becomes national in scope, it is a question as to how long it could last, although meanwhile we are convinced that some of the selling today in wheat was based on the possibility of demand dropping off. Flour business has slackened to a marked degree. In corn, industry buyers were on the buying side of December, but there was overall liquidation and the close was lower. Spain was said to have bought 25,000 tons of #2 yellow corn. The bean market was lower, and a good many people are beginning to feel that while the country has not sold heavily it is only a question of time before there will be a loosening up, although it may not come until after the turn of the year, due to tax considerations.

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CHICAGO, 4 November 19, 1956

On December 11th, farmers will be called upon to vote on the corn referendum. They will be facing an extremely difficult situation. Under the allotment plan acreage will be reduced to approximately 37,289,000 acres, and under the support plan somewhere between 75 and 90% of parity. If they should select the present Acreage and Soil Bank Program the acreage will be 51 million with a support price of $1.31, or about 74% of parity. However, this plan calls for the placing of 15% of his cropland, either corn or other land, into the Soil Bank to get price support. On the land taken out of production the farmer will receive 90¢ a bu on his average yield of corn. No price support has been announced for non-compliers, but this may be subject to change at a later date. The great difficulty with the acreage allotment is the drastic cut, which would make it very difficult for many farmers to stay in the corn business. Flexible price supports received more response through the corn areas, as unlike wheat, corn is a crop for which the demand decreases as prices rise and increases as prices decline. Therefore, many corn producers have in the past placed great faith in the operation of flexible price supports, under which they would be free to produce a larger crop with lower price supports instead of reducing production to levels at which 90% price supports could be obtained.

As far as wheat is concerned, the situation in our judgment is somewhat different, and we still hold to the thought that the best plan would be the so-called "Domestic Parity Plan." Despite the stringent acreage and marketing controls imposed upon wheat producers since 1954, reducing the wheat acreage by 23 million acres from 1953, or a cut of 30%, wheat surpluses continued to pile up from one crop on top of another. Under such a program, free market prices would be established with the functions of price supports relegated to a floor under the market. Wheat producers would be placed in a position to participate in competition in export trade on a quality basis without a need for subsidization and they also would be able to compete for their historical share in the domestic feed market instead of selling the surpluses produced over and above domestic requirements to the government. There would be an unrestricted movement of wheat under free competitive conditions and all stages of marketing from the farm level through the country elevator, subterminal, or terminal elevators to the eventual processors or exports without government intervention, thus restoring to the private trade the marketing which the government now performs in its large-scale wheat buying and two-price merchandising activities.

There was not a great deal of news over the week-end with the exception that the longshoremen's strike had not been settled, and there are no particularly new developments in the Middle East. There seems to be a lot of saber-rattling, but nothing at present points to an extension of warfare. The labor difficulties at ports led to a somewhat easier feeling in the market at the opening.

It was announced by the Department of Agriculture that 10,692,000 acres wheat had been placed in the Soil Bank through November 9th, and it is not expected that any changes from that figure will be of importance.

The five-day forecast suggests rather cold weather but some snows in parts of the winter wheat belt. The thirty-day forecast states that precipitation amounts in excess of normal are expected along the Gulf Coast and the Atlantic Seaboard and sub-normal amounts west of the Continental Divide and in the upper Mississippi Valley and other areas about normal.

At the time of dictating this letter the visible supply figures have not been posted. Chicago wheat stocks decreased 544,000 bu, leaving a balance of about 13 mi lion bu in this market. Corn increased 551,000 bu, bringing Chicago stocks to 18 1/2 million bu. Beans showed a very slight decrease.

Flour business over the weekend was almost at a standstill. It was announced during the session that due to the Longshoremen's strike the railroads have embargoed shipments to all ports on the Atlantic and the Gulf. Business was therefore, very quiet today, and grains showed an easier tone. Contrary-wise oil was steady, and with the blockade of the Suez Canal, no doubt temporarily it will cause a stronger demand for our oils, but meanwhile oil in other areas of the world will accumulate and be available when the Canal is finally opened.

Primary receipts of wheat today amounted to 1,862,000 bu compared with 1,978,000 bu last week and 1,751,000 bu last year.

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CHICAGO, 4 Nov. 20, 1956.

Over the past 25 years taxes by national, state, and local governments in this country have increased more than nine times from $9.8 billion in 1929 to $90.8 billion in 1954. During that period the national government has increasingly occupied the position of overwhelming importance in influencing the tax take. In 1924, the taxes of 48 state governments and of subtantially more than 100,000 local governments approximated $6.4 billion. The national government take was about $3.3 billion or slightly more than half the combined state and local. In 1954, federal taxes of $67.5 billion were almost three times the combined state and local tax receipts of $23.3 billion. The rising importance of federal taxes compared with state and local reflects the relative concentration of government activity at the national level. While the "lion's share" of the current federal budget consists of outlays for defense of ourselves and our allies, interest on debit, the increase also reflects an apparent growing tendency to look to the national government for help in performing functions once considered within the state and local domain or in the territory of private organizations. While national taxes have come to take a preponderant place compared to other forms, the state taxes at the same time have gained relative to local, and apparently the same forces that have moved tax collections toward the U S Treasury have resulted in increasing the importance of state collections relative to local, although to a lesser extent.

Under-Secretary True D. Morse, in a recent address before U S. Agricultural Attaches, states that while we have been doing an outstanding job of supporting the special programs and have pulled our exports out of their recent slump, the ultimate aim is the developing of long-time permanent markets for foreign products selling for dollars through commercial transactions. However, some of the other exporting nations are not so happy with reference to recent sales. Criticism has been voiced in Australia against the sale to India of 130 million bu, of which 30 million is to be shipped for the first year, 37 million bu in the second year, and 63 million bu in the third year. In addition to the security reserve, the U.S. has insisted that India buy commercially 5 1/2 million bu wheat in the U. S. annually during the next three years. The comment in Australia is that it prejudices that country's future hold on the Indian market, and as Broomhall comments, he doubts very much whether the approach of the U. S. to Indian and Brazil insisting on each of these countries looking on America as their normal future supplier can possibly be justified. He thinks it is a betrayal of fair competition

Primary receipts of wheat today totaled 1,491,000 bu vs 988,000 bu last week, and 1,279,000 bu last year. Kansas City and Minneapolis stocks of wheat so far this week show a total decrease of 355,000 bu. When our market letter was written yesterday the visible supply figures had not been posted, but wheat showed a decrease of 4,588,000 bu, leaving a total of approximately 405 million bu, or about 33 million bu less than a year ago. The corn visible increased 5,447,000 bu, making the total about 69 1/2 million bu, or 33 million bu more than the previous year. Beans had a small decrease, leaving the total at 19 1/2 million bu, or about 2 million bu less than a year ago.

Markets today acted rather nervous. There was buying of corn on part of exporters, and also wheat. It was reported that Yugoslavia bought 4,500 tons of #2 hard wheat for January shipment. However, flour business remains dull, and according to our friends, The Southwestern Miller, the demand is near a standstill, with mills momentarily not at all active in pushing bookings. Flour buyers, as a whole, are well supplied, and can afford to sit on the side lines for the time being. Some impetus was given to markets today on rumors that the Longshoremen's strike at the Gulf had been settled, but according to a member of our firm, who is in New Orleans at the present time, there is really no disagreement at New Orleans, and when they give the word in the East to go back to work, that is all they are waiting for. Meanwhile, we hear nothing from the East.

The Agriculture Department announced yesterday that they will relax standards to permit price support loans or purchase agreements on 1956-crop soybeans damaged by excessive rainfall. Farmers will be eligible for supports on "sample" grade soybeans if total kernel damage does not exceed 30%, heat damage does not exceed 3%, and moisture content does not exceed 14%. In past years the Department has offered no support on beans below grade #4. The oil market was again very strong. There seems to be a good commercial demand, and this in turn was reflected in a higher market for beans. UHLMANN GRAIN CO.

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CHICAGO, 4 November 21, 1956

In a recent publication of the British "Milling," they make a plea for gradual return through international convention or agreement to a more economic distribution of world wheat production and trade. They point out that the problems confronting us today have been the result of two world wars, but they question if it is any longer necessary for any importing countries to produce wheat uneconomically. They question whether it is necessary for the U.S. to claim so large a share of the world trade when wheat can be grown much more economically in Canada, Australia, and Argentina. France, which has been subsidizing her wheat, has been exporting something like 2 million tons a year at a loss to the national exchequer. They also question whether it is necessary for Sweden and Turkey to aspire to the status of wheat exporters. They do realize that in many countries the artificial measures which stimulated wheat production have been carried on for so long that it would be politically difficult to make any sudden or drastic change. With the help of the latest scientific aids to production, combining, harvesting, deep-plowing, seed selection, fertilizer, etc., large harvests of wheat have been produced in the southern provinces of Canada in all but one year since 1950. The end of the season finds that country with burdensome carryovers.

The Canadian Wheat Board the past three years has been more concerned with the selling of stored wheat than with disposing of new crop surpluses. In other words, Canada is about one season ahead of their harvest, and if they had not raised a bushel of wheat the past crop year, the carryover of 527 1/2 million bu would have been approximately sufficient to meet all domestic and export requirements during the season of 1956-57. That country with approximately 16 million people cannot afford to go on increasing production year by year. While they have been favored in the past few years with exceptionally good growing conditions, on the other hand years of guaranteed price have enabled growers to better equip their farms to extend the use of machinery and to take advantage of rust-resistant types of wheat which science has evolved. As Broomhall points out, there is a growing body of opinion in Canada that marketing methods at present favored by the Wheat Board cannot adequately deal with the output potentialities of the western provinces.

The USDA forecasts a demand for farm products to be maintained at a high level in 1956. With consumer incomes now running about 5% above a year ago, further increases are anticipated; but expenditures for food will rise further as living conditions improve. However, the trend toward more service and higher charges for marketing and processing in recent years have offset some of the effect of rising incomes on the demand for farm products. Since mid-year prices received by farmers have averaged 2% above a year earlier but prices paid by farmers are also higher; therefore, the parity ratio has averaged much the same as a year earlier. As far as wheat production is concerned for the coming year, with 10 million acres diverted from winter wheat and placed in the Soil Bank, and the possibility of 3 million spring wheat following suit, we face the chance that average yields for the 1957 crop will be reduced more than 200 million bu. Much will depend on growing weather, which during most of the fall season has not been too favorable.

The Kansas weekly crop report states that wheat and other fall seeded grains made very little progress during the past week due to cool, dry weather. In the southwestern and west central counties very little dry land wheat has germinated, but some additional acreage was dusted in. Elsewhere the major portions of the wheat plants are up to generally fair to good stands, top growth is short, and only a limited acreage has developed a secondary root system. The Nebraska report states that winter wheat improved slightly in all areas except the Panhandle, where October moisture was extremely light. More moisture generally is needed before the ground freezes.

Primary receipts of wheat today totaled 1,160,000 bu compared with 751,000 bu last week, and 940,000 bu last year on comparable date. Kansas City and Minneapolis wheat stocks so far this week show a total decrease of 533,000 bu.

Markets all opened with firm undertone. There seemed to be considerable buying of December wheat, but best prices did not hold. There was local buying of the May against sales of the nearby months, principally the March. The only grain which showed any real strength today was beans, which are being helped by the strength in oil, and also some advance in meal prices. Overnight flour business was extremely small, with somewhat of a holiday atmosphere prevailing. It was reported that about 1 million bu of corn had been sold for export overnight, and there was some hedge lifting in the market during the early part of the session. Italy bought 4 cargoes of Durum wheat.

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CHICAGO, 4 Nov. 23, 1956.

The weakest part of the Soviet economy is in agriculture where after 40 years of experimenting, production barely fills the need for the crudest sort of national diet, and has been a wasteful use of manpower. This is not only true in Russia, the same exists in the western satellite states, and Soviet China seems to be copying the futile efforts in Russia. As a contrast one of the greatest assets of the West has been the astounding capacity of American agriculture to produce under a system of private ownership of resources and initiative. Agriculture in this country has been anything but static. The number of our farms reached its peak in 1935, with 6.8 million farms, and within a 20-year period 2 million units were deleted and the land absorbed by others at the pace of about 100,000 farms per year, and definitely points out that under free initiative of owner and operator, agriculture is capable of self-adjustment to changing conditions. The number of people living on farms has declined from 30.5 million in 1940 to 22.2 million in 1955, or approximately 27%. The number of workers has fallen from 12.5 million in 1930 to 8.2 million in 1955. The manpower on farms has fallen sharply, while the population of this country has increased. Agriculture has boosted its output at a rate of 2% per year, or at a rate exceeding the population growth of the U.S. by 1/2%. This was accomplished by coupling its manpower with more and more capital, the introduction of machinery and application of more and more research and experimentation. The output per man-hour has almost doubled on the farms in the past 25 years, with even a faster tempo during more recent years. American agriculture is a giant without equal. Of the 6.6 million tractors used in the world, which includes the Soviet Union, in 1953, 63% were operated on U.S. farms and undoubtedly the figure is higher today. While there has been a cost-price squeeze, this is being answered by larger-sized type of operation, the elimination of some marginal units, and the absorption of land by other farmers. 25 years ago the average size of a unit was 149 acres and in 1955, it was considered to be 242 acres Regardless of what we hear from politicians in the main, agriculture in this country is financially sound, and while the balance sheet shows a continued gradual increase in mortgage and other indebtedness, it also shows a continued gradual increase in financial assets since 1950.

There had been some excessive rains in Argentina during October. The wheat crop is generally good but damage from pests has occurred in parts of Santa Fe, Central and East Cordoba, and Entre Rios. Planting of corn has made good progress and some increase in acreage is expected this year.

Information from abroad points out that there has been a marked change in the attitude of foreign buyers, and that markets in the U.K. and on the Continent have turned quite strong. This has no doubt been stimulated by conditions in the Middle East, although the situation in that area seems to be more in hand than it was a week ago.

Primary receipts of wheat today totaled 1,543,000 bu vs 960,000 bu last week and 1,243,000 bu last year. However, in the figures today Wichita is missing. So far this week Minneapolis and Kansas City wheat stocks show a total decrease of 376,000 bu. When the visible supply figures are posted on Monday they will be compared with a decrease last year of 1,239,000 bu.

All markets opened strong today, and advances were well maintained throughout the session. In wheat, December gained the most. It is still a moot question as to how much wheat will be delivered in this market against December contracts. Milling demand remains light. Over the Thanksgiving holiday there was some moisture east of the Mississippi, but southwestern sections received very little, and crop conditions are not too glowing at the moment. There was buying of corn by brokers usually associated with exporters. Undoubtedly, there has been some export business consummated, but we have not heard of same. Oil was again very strong, having its reflection in the bean market. Toward the end of the session there was a rather encouraging report received on the Suez Canal in which it was stated that the U N was being urged to proceed at once with the engaging of private salvage firms, and that the wreckage had been pretty well cleared at Port Said and that by the end of the week it is anticipated that enough will have been cleared to permit 70% of normal traffic to enter the Canal.

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CHICAGO, 4

November 26, 1956

The Agriculture Department authorized India to buy in excess of $23 million worth of wheat or flour from us, with Indian currency, and this is another large transaction planned to cut into our reserve stocks. Shipments will be made gradually starting at the end of this month extending to the 30th of September. This, together with previous sales, is bound to make inroads into the storage supplies which have accumulated, and it will, by the same token, have some influence on the market as hedges are lifted. This, of course, is largely the intent of previous transactions, as well as the one just mentioned.

Peculiarly enough Russia, which heretofore denounced many of our Foreign Aid Programs, claiming that they were unvarnished instruments of Western imperialism, has finally adopted, or possibly even copied, some of our programs, although we are not at all certain that they were entered into for the same basic reasons. In any event the USSR and some of her satellites have now signed agreements to extend to 11 underdeveloped countries about $1 billion in credit for the purchase of Soviet Bloc goods and technical services. Recipient countries are mainly in the Near East and South Asia. Recently even Communist China entered the field with an agreement to provide grant assistance to Cambodia. In the case of Russia, she has gone quite far into this field, not only by way of supplying raw materials, but has gone so far as to furnish complete plants for producing steel, textiles, cement, fertilizers, power, etc. She has even gone so far as to develop mineral resources - notably petroleum and non-ferrous metals.

Before our market opened this morning both soybean oil and meal were strong, and besides this traders were impressed by the large soybean crush during October, which was close to 28 million bu compared with 25.3 million in October 1955. The American Soybean Association calls attention to an estimate of USDA officials that the soybean crush for the year may be close to 325 million bu, with a 10-million-bu margin on either side. This assumes that more beans will be crushed in southern mills because of the bigger volume to handle. In order to have this estimate fulfilled, it would require an average monthly crush of slightly over 27 million as against last year's high month of 25 million. The government holds to a previous estimate on exports of between 80 to 85 million compared with 66.7 million last year. The increase is due to the world situation, and tie-up of the Suez area which is pretty sure to boost demand for U.S. product in European countries, but at the same time may hamper shipments to Japan. In other words, if Chinese soybeans are cut off from Europe they are quite apt to concentrate on the Asiatic markets. The way it looks at present, reserve stocks at end of the crop-year may only be 21 million bu, despite our record production.

According to Broomhall the official Argentine Agency is selling practically no corn to exporters and there is no indication when offerings may be resumed. Some feel that little if any corn will be sold until the growing season is more advanced and there is a better idea regarding prospective outturn. Meanwhile the Continent is buying a little corn from us although there were only a few small parcels involved in today's business.

Chicago wheat stocks decreased again by 354,000 bu, leaving 12.8 million bu here. On the other hand, local corn stocks increased 582,000 bu to a total of 19.1 million bu. Oat stocks, which have been comparatively small, were further reduced by 266,000 bu, and bean stocks decreased 231,000 bu.

Trade today was not particularly heavy, but there was again marked strength in December wheat, and during the session it was reported that Turkey had bought 20 cargoes of hard, soft and mixed wheat in this country, and we saw evidence of a good number of hedges being lifted, which probably added to the firmness, although deferred futures were quite indifferent. Corn was inclined to be weak, and while there was no particular pressure, there seemed to be very little support after the opening, even though receipts were light. The bean market opened strong, but thereafter realizing sales came into the market, and we had reactions. The outstanding weakness today was in rye, and there was considerable selling from various quarters. No special news, except that rye has had a big advance and while supplies are not burdensome it probably will be more difficult to find commercial buyers at present price levels.

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CHICAGO, 4

November 27, 1956

Next month we shall have final figures on crop production, and we feel quite certain that previous estimates will be borne out: namely, that output was at a near record and close to the banner year of 1948. Some individual crops did exceptionally well, for example, corn, which according to the last forecast was for an estimated crop of 3,412 million bu, which topped the ten-year average by 11% and was the second largest crop of record. The sorghum grains at 170 million bu were down 30% from last year, but topped the average by about 20%. Chances are that realized net income from agriculture will exceed the previous year's figure of $11.7 billion, despite the fact that production expenses are way up and now are estimated at about $21.7 billion as compared with only $7.6 billion at the time of our entry into World War II in 1941. Farmers, of course, are not fully satisfied with present prices, nor with present returns after meeting all payments, but the net income figure which we just mentioned of $11.7 billion compares very favorably with war years when farmers during the period of 1941-45 were netting only $10.1 billion, and at that time they were quite satisfied with their status. In the meantime, they had one exceptionally good year: namely, 1947, when they netted $17.1 billion, and so many of the comparisons today are made with that exceptionally good year. As a matter of fact, even though there were inflationary tendencies during World War II, production expenses then averaged only $10.8 billion, and since that time they have more than doubled. Farmers are now paying out for various services and equipment $11 billion more annually than they were during the last war and still are retaining a larger amount of money for themselves without much sacrifice. It is probably the first time in history that the adjustment from war to peace was made so comfortably.

Yesterday's market was featured by very heavy export sales and one house in particular covered a great many hedges in wheat, which was naturally an important influence on the market. December wheat gained sharply on the more distant months and this permitted rather heavy redemptions to occur, probably also some government selling under its formula, which, in our opinion, will result in a much larger carryover of free wheat at the end of the season than we have had in a number of years. One quickly forgets that we have not always had the billion-bushel carryovers in wheat, and actually even during the last two seasons when the reserve stock was in excess of the billion-bushel-mark, it was not felt much from a market point of view because the largest percentage was under government domination. Thus even if we make inroads into the accumulations, it may not necessarily be a bullish factor, as much will depend on the quantities of wheat available for the free supply. As we look back to the year 1947, which was the banner year for agriculture, our wheat carryover was only 84 million bu, and the year before that it was 100 million bu. So the big reserves have been climbing since that time and have created storage problems for the government, despite the enormous additions to our elevator space, both private and federal. The government itself has more than a billion bushels of elevator capacity in which it is carrying defaulted grain and thus has become a tremendous competitor to private industry.

The weather pattern has not changed, and there is little chance for moisture Southwest, but not too much attention is paid to this, although it will probably loom up in a more important way when the government in December estimates the probable size of next summer's winter wheat crop.

According to the USDA, total supplies of food fats in the marketing year, which began October 1, 1956, will be about 11.8 billion lbs., which was about the same as last year's record. Reserve stocks were smaller but the increased output of soybean oil will more than offset the smaller output of cottonseed oil and lard.

Trade was much more quiet than yesterday, and some of the export houses that had been predominantly on the buying side a day ago were sellers this morning, which probably meant that they were hedging some wheat purchased in the country. In spite of this, December wheat held relatively well, but the deferred months were weaker. In corn, there was some stop-loss selling in May, but the December future was wanted, and apparently there was some changing over by commercial interests to the more-distant months. Rye, which had been so weak yesterday, reacted a little, but there was not much impetus to the buying. Beans were offered a little more freely from the country, but there was no appreciable amount of hedging, but yet some selling by the trade. Oil was lower. Jordan cancelled its military alliance with Britain.

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CHICAGO, 4

November 28, 1956

We were reminded this morning by one of our friends that we had not commented much on the rye situation in our recent letters. The 1955-56 rye supplies were the largest in the past eleven years, but the disappearance had also been the heaviest in ten years. Imports of rye flour and rye meal have been restricted by Presidential proclamation since April 1, 1954. The quota thus established has been the equivalent of 3.3 million bu; thus we can no longer figure the North American situation as a whole except that if supplies in Canada are large it probably has some influence in cutting down our exports except that to the extent that Commodity Credit owned about 10 million bu of the carryover, it was sold to exporters at a cheap price, and so competitive factors did not prevail. The rye crop last summer was only 22 million bu against nearly 30 million the year before. However, the ten-year average crop was only 21.6 million bu, so that from that point of view we had almost a normal crop, despite unfavorable weather conditions, including early summer drought. Total domestic disappearance in 1955-56 was 26.6 million bu. There was only 5.1 million bu actually needed for food but nearly as much: namely, 4.7 million bu, for alcohol and spirits. Exports amounted to 6.6 million bu, but the largest disappearance figure was the 16.8 million bu that was used for feed and seed. Inasmuch as the estimated acreage for harvest is only about 1.7 million bu, it can readily be seen that one of the really important factors is the quantity which is fed to livestock. There are generally twice as many acres shown as are actually harvested, and this is also very important because a high price encourages a larger quantity for farmers to carry through to maturity, whereas when the price is low more goes to forage. The price has advanced about 40¢ a bu from the low point, and we believe that this was brought about largely because of the attitude of Commodity Credit Corporation in disposing of its 10 million bu rye that had been carried over from previous crops of the total 16.3 million bu in the reserve stock. Thus, it might be said that there was only about 6.3 million bu rye that was in prevate hands, most of which was undoubtedly to be used for the domestic market, inasmuch as it could not compete for export with the cheaper government offerings. Since prices went up and other feedstuffs were so plentiful, it is our opinion that feeding operations have been largely curtailed; consequently, the market has made the automatic adjustment of supply to demand, which, after all, is the most important function of a free market.

Domestic disappearance of rye in the 1956-57 period may total 24 million bu compared with 26.6 million the year before. It is assumed that because of the reduced crop and higher price, less will be fed. Should there be further advances there would naturally be further readjustment. On the other hand, the use of rye for food, alcohol, and spirits is more or less of a static figure, and is little influenced by price relationships. In any case the carryover on July 1, 1957 may be considerably smaller than the year before, possibly as much as a third less, or possibly 11 million bu. On the other hand there undoubtedly will be more rye in commercial channels and less tied up under government programs. As a matter of fact, carryover stocks were below 11 million bu between 1946 to 1953 when they averaged only 5.1 million bu.

Primary receipts of wheat were a little over 1 million bu, which was slightly under last week, and a little more than last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 275,000 bu.

Trade was rather quiet today, although apparently there was some export business in wheat, and hedges were covered. December wheat was again relatively steady, but the deferred months were weaker, and outside markets apparently reflected the heavier redemptions, which are taking place. They closed very weak. We heard from Washington that a high agricultural official had stated that CCC was eager to dispose of its wheat stocks at the minimum formula selling price, , and intimated clearly that the Agency would not permit the market to rise very much, if any, above its minimum. Beans were quite strong; a local who sold early covered later in the session, and the market responded to that type of trade. There was 460,000 bu of oats shipped from Ft.William to Buffalo yesterday, and in addition to this another cargo of 550,000 bu is destined to Huron. There was not much feature to the corn market, but the close was firm. Oil prices were higher and so was lard.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4

November 29, 1956

Next month the government will issue two crop reports. The one will deal with prospective acreage and crop of winter wheat for the 1957 production, and that in our opinion will be bullish. Because of the large number of acres retired under the Soil Bank, we doubt if more than 35 million acres have been sown, and even assuming a normal crop on the planted area of 16 bu per acre, it would give us a yield of only 560 million bu. That would compare with last summer's production of 722 million bu; so the reduction on that basis would be about 162 million bu, but fall conditions have not been up to standard, and accordingly, the crop might be even smaller. As far as the other report is concerned, it will deal with performance of the past season, but we do not anticipate any great changes; therefore, we assume that the previous figure will be maintained, and that the total supply of wheat for the 1956-57 marketing year will be about 2,015 million bu, which registers a new all-time record. If exports total 415 million bu and domestic disappearance continues at about 600 million bu, the carryover on July 1, 1957 would be about a billion bushels compared with 1,034 million on July 1st this year. Thus we are making a little headway toward reducing our reserves, and, indeed, it would be the first time since 1951-52 that we have been able to reduce, even though slightly, our carryover stocks. In the period ahead, however, we feel that much more progress will be made, and a considerable reduction will undoubtedly be noted by 1958, owing to the fact that there has been such heavy participation by farmers in the acreage reserve program.

All this may not necessarily be a bullish factor insofar as prices are concerned, because of greatest importance is the amount of free wheat there is in the market. However, from a statistical point of view, it shows that the government is making progress, particularly since there will also be a reduction in the spring wheat sowings, and it looks as though at least 13 million total acres may be placed in the acreage reserve. Consequently, the yield of all wheat may run somewhere between 725 and 740 million bu compared with this year's crop of 976 million bu. Even if wheat for harvest is planted on the best soil and is fertilized more heavily than usual, production would be substantially below the probable level of disappearance, thus reducing carryover stocks in the 1957-58 year.

Before our market opened this morning, there was not too much to guide it. The weather pattern does not change except that slightly higher temperatures are in prospect, but there is still not any precipitation of consequence looked for in the Southwest, where the plant did not get off to too good a start. It was because of this drought that farmers and country elevators were slow to market wheat, but in recent days the high price has encouraged producers to redeem on a heavier scale. There has also been a considerable amount of government selling, all of which has overcome to some extent the larger export sales that have been made.

World wheat production in 1956 is tentatively estimated at 7,510 million bu, which is an all-time record and compares with only 5,910 million bu, the 5-year average in the period from 1945 to 1949. However, our sales and shipments have been stepped up considerably due to government policies of selling abroad for foreign currencies, and this is being felt by some of the other surplus countries, although consumption abroad may be larger, not only because of actual usage, but due to the building up of reserves when supplies can be had under such favorable terms. It was reported early that Yugoslavia had bought a cargo of #2 hard wheat for shipment December 10th to 25th, but apparently sales to Morocco are being held in abeyance.

Primary receipts of wheat were nearly 1 1/2 million bu; a week ago was Thanksgiving, and a year ago receipts were somewhat over 1 million bu. Kansas City and Minneapolis stocks so far this week show a total decrease of 490,000 bu.

Trade was not overly active, but the wheat market was weak, and apparently it threw off some of the Suez considerations which heretofore had curtailed selling. Rye was also in the same category, and became very weak on moderate liquidation. That cereal apparently had risen too fast, and is now in for some readjustment. Selling of December wheat was more in evidence, and when that future rose to 14¢ over Kansas City yesterday it apparently attracted more business for the southwest markets, which again shows how efficiently price functions operate in a free market. We still do not believe there will be any heavy tenders in wheat here, but by the same token the movement out of Chicago may become smaller Corn was little influenced by lower prices in wheat and rye, but oats were influenced, particularly the nearby month, by additional imports from Canada. Another cargo of 500,000 bu is headed for Buffalo. Oil prices made new highs, but beans only responded moderately and the close was but fractionally higher.

DAILY MARKET LETTER

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CHICAGO MERCANTILE EX.

CHICAGO, 4 November 30, 1956

There was not much news overnight. Weather was not particularly favorable in the Southwest, but no precipitation had been expected, although in the period ahead there is no indication of a change during the next five days. There may, however, be some precipitation east of the Mississippi.

There are indications now that some export business in wheat will develop shortly to Greece, Yugoslavia, and Switzerland, although quantities involved may not be as heavy as when the last large orders were accommodated in the pit. It is difficult to say just to what extent present shipments will result in building up of supplies abroad, although we do know that wheat production in Western Europe is tentatively estimated at about 13% less than the 1955 total. The quality of grain is also somewhat lower in a number of countries due to adverse weather. The heaviest reduction was in France, and that country, which heretofore had been an exporter, has been taking wheat, thus changing the balance in Europe, with heavier requirements needed from overseas. The production was somewhat smaller in Italy, Yugoslavia, Switzerland, and the Low Countries, although Spain, Portugal, and the U. K., as well as Sweden, had slightly bigger crops. The production of rye in Western Europe was a little larger than in 1955, with Western Germany accounting for most of the increase. That in turn was due not only to an increase in acreage, but also to somewhat higher yields. Coming now to Asia, wheat production was probably the same as the year before. There were some significant changes, as for example, reductions in Turkey, India, and Japan, but these were offset by substantial increases in Pakistan, Syria, and Iraq, where crops the year before had been small. We have noted recently that Turkey was a fair importer at times. Her crop was smaller than the big harvest of 1955 but yet well above average. In Africa wheat production was larger than in 1955. Most countries had better yields as well as heavier sowings.

We are coming now to the season where Southern Hemisphere crops will be watched more carefully. There have been some prospective reductions in Australia, and while conditions in Argentina are fairly promising, certainly in comparison with last year, it is well to bear in mind also that the acreage seeded this season is considerably larger than last year. Rye production may be at about the same level as in 1955, based on present information.

Soybeans opened rather firm and the oil market has given encouragement to longs, plus the fact that soybean meal stocks in mills were cut in half during the month. With the smaller crop forecast year-end stocks will probably approximate 20 million bu instead of 33 million previously indicated. This is all predicated on crushings of about 335 million bu, which actually could be a little more, as capacity is available, although there is no guarantee that it will reach that figure. Thus the reserve stock is somewhat of an academic figure, depending also on the quantity of exports. Some traders point out that additional soybean production will be needed in 1957 to replace cottonseed oil and meal production lost to the Soil Bank.

Primary receipts of wheat amounted to 1.9 million bu vs 1.5 million bu last week and about 1 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 641,000 bu. When the visible supply of wheat is posted on Monday it will compare with a shrinkage last year of nearly 4 1/2 million bu.

Markets were rather firm. The Santa Fe crop report spoke of the recent widespread snowfall over Colorado, Kansas, and Nebraska, which had brought renewed hope to those areas, and points out that this might produce a near average crop in 1957, although they qualified their statement by saying that where snow fell a large part of it accumulated in drifts along fences and roads. Thus the benefit might not be as great as indicated.

Wheat deliveries were only 170,000 bu, but in corn there was a surprise with over 5 million bu tendered, and this tended to widen the spread between December and the distant months. Oats were not much influenced by the 1 1/4 million bu delivered. The movement of corn from the country is still not big, and while December corn was weak, deferred months ruled relatively firm. According to A. P. the British are planning to withdraw most troops from Egypt by Christmas, and the International oil stocks were higher today. The government discontinued buying lard, but the bean oil market was very strong, and this had its influence on beans. There was 450,000 bu rye tendered.

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CHICAGO, 4 December 3, 1956

The influence of income changes on food consumption patterns is quite difficult to evaluate. It has been shown, however, by the Department of Agriculture that an addition of, say, $500.00 to annual income of families previously at the $2,000.00 level has had considerable effect both on the quantity and the types of food that are purchased. On the other hand an increase of $500.00 for $15,000.00 income families has probably had little or no effect at all. If we go in-between and look at the families with incomes of $7,500.00, there seems to be a shift among forms and quality of foods and over the years we have seen that during prosperous periods, volume of wheat and rye consumption has gone down considerably, sometimes cut nearly in half, while consumption of potatoes has likewise declined, although to a lesser extent. On the other hand the demand for meats, fish, poultry, dairy products, including butter, has risen considerably, as has also that of fruits, vegetables, eggc, etc.

The same trend is noted also in European food consumption, although France, Italy, and Spain still consume considerably more grains per capita than other countries, but even in these three lands the trend has been downward. They, too, have shown a decided preference for meat and its usage has increased in such countries as France, Italy, and Sweden, while in others, with one or two exceptions, it has held fairly close to prewar levels. The biggest changes are to be found in the per capita consumption of fats and oils, and every one of the Western European countries studied has maintained, and in most cases, actually increased consumption of these products. As is pointed out the prospect of a 55% increase in real income per capita in the U. S. between now and 1975 poses serious problems for forecasters on food consumption. Those in the higher brackets will probably be less influenced than the others except that there is greater knowledge now of nutrition and diet; fats also pay an important role at times, while more attractive packaging of certain items and better display methods, as well as advertising or educational programs have much to do with the marketing of certain products at the expense of others.

After the close of the market on Friday we had the government report on parity prices. Corn was up 1¢ from the month before, while wheat advanced to $2.45, which was up 2¢ from October 15th. In most cases there was some strengthening in the computation. Higher clothing prices helped to raise the general level, while prices paid for building materials and other categories of items used for family living rose slightly during the month. There were some offsets, with reductions being noted for coffee, citrus fruit and meat, but even in this category the higher trends for fresh tomatoes, bananas, and butter figured in, and the whole formula is too complicated to deal with in greater detail in a market letter of this kind.

There is a chance that temperatures will drop rather materially, but also the likelihood of some snow in Nebraska and fair quantities for Kansas. Selling right after the opening was probably due to heavier redemptions, which brought hedging into the wheat pit, while corn was influenced by the heavy tenders and retenders on Friday, with a total of 8 million longs in the market thus satisfied. Furthermore, the Agriculture Department announced that it would resume cut rate sale of government-owned corn for export December 6th, accepting daily competitive bids. Not much attention was paid to the October soybean crushing of 27.9 million bu, which was the largest on record for the month. It compared with 25.4 million in October 1955, but the higher figure had been fully expected.

Chicago wheat stocks showed a pretty heavy decrease of 1 1/4 million bu, but this was partly offset by an increase of 765,000 bu in afloat wheat. Nevertheless, we still believe that by March there may be 8 to 9 million bu left here in Chicago, and from now on the outgo may be smaller. Corn continues to increase to a total of 19.6 million bu, but the oat stock is still going down, and there is only 3.7 million bu here. However, imports from Canada may lessen the demand out of here. Rye and beans were very little changed.

Markets were all weak, and there was a combination of circumstances. Mr. Dulles thought that chances for peace were moderately good. Britain and France have agreed to withdraw all troops from Egypt immediately.

Broomhall reports that conditions were most favorable for late planting of winter wheat on the European Continent. Corn was influenced by the government selling policy, and beans were also sharply weaker. While it may take anywhere from 5 to 9 months to undo all the damage suffered in the Suez Canal, it is nevertheless true that the British have already cleared a vast part of the wreckage at Port Said, and vessels up to 25 foot draft should be able to travel soon without difficulty. Ships of that type account for about 70% of the traffic in normal times.

DAILY MARKET LETTER

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CHICAGO, 4 December 4, 1956

The government through its various export programs has been pushing agricultural exports to the limit, and it is beginning to show up well in the figures. During the period from last July through October, there was a lead of 36%, over last year, and with the exception of tobacco all major commodity crops registered gains. The biggest was in cotton but grains, as a whole, also showed improvement, although it was not uniform and the increases in food grains were partly offset by the declines in feed grains. The reason for the shrinkage in the latter was due to the fact that the European import demand for feeds was reduced because of the large quantities of low quality wheat available in a number of European countries. On the other hand, this stimulated the demands for quality wheat, and as we have observed the shipments of wheat to date have been running well ahead of last year. The USDA figures that our clearances will exceed 400 million bu and considerable quantities of food grains are expected to leave this country under government programs, some of which are still being negotiated. It now appears that the quantity of agricultural exports will gain by about one-fourth over last year, although ocean shipping could become a problem and, indeed, high freight rates and lack of steamers have already borne this out. If we are able to do the business which is presently anticipated, it would mark the fourth continuous year of improvement and would set a new export record, well surpassing the previous highs of both 1918-19 and 1951-52. Export value should be at least $4.2 billion, or about 20% above last year, which would also set an all-time record. The factors responsible for this are in most cases obvious. Not only have we made it easier for many countries to buy in terms of their currency, but we have found it necessary to push sales because of the abundant supply picture in this country, while the increasing population abroad has made it more necessary for them to take on additional supplies in order to keep up living standards

It is not thought likely that difficulties in the Suez will have too much bearing on these matters. First of all, only 15% of the cargo that moved through the Canal in 1955 consisted of agricultural commodities. The biggest item, of course, was petroleum, which accounted for 64% of the traffic. The Canal on the other hand is a major route for world trade in numerous tropical products, especially for rubber, jute, wool, and vegetable oils, as well as oilseeds. Moreover, two-thirds of the agricultural traffic through the Canal was to and from Europe and only 10% to and from the U. S. Because of Suez and the unsettled world conditions Europe has been prone to build stocks as a hedge against possible future shortages. The same happened when the Korean War developed. However, as international tension diminished these stocks were liquidated and U. S. exports declined. So we may have to face thos same realities in the period ahead.

There was nothing in the overnight weather. The drop in temperatures is slower in arriving but will probably come, and with it bring some snows to parts of western Kansas and the Oklahoma Panhandle. Heavier falls are likely for our Northwest. It was reported that Formosa had bought a cargo of soybeans for early shipment and 3,500 tons for May.

Yugoslavia was reported the buyer of a cargo of red wheat, while there was a rumor that Austria had bought 2 cargoes of corn. According to Broomhall, Brazil has finally agreed to take 600,000 tons American wheat annually for the next three years under a 40-year loan, in addition to 130,000 tons that they take each year from us.

Nobody paid much attention to statistics today, and even the light receipts were ignored, although on a Tuesday carlot runs are generally small. There was an early break of nearly 10¢ per bu in beans and at one time wheat prices were down 5¢ per bu., these being the leading losses, but some commercial business developed for these two commodities on the break, and there were temporary recoveries. Beans closed down the limit. From the looks of things in the pit there must have been some export business. The news from the Middle East showed no great change from yesterday, except that it looks a little more peaceful now. For the past two days we had considerable liquidation in the various pits. At one time May and July wheat narrowed to less than 9¢ difference, and as far as July wheat is concerned, we believe with a rather poor crop outlook on a smaller acreage that it is rather fairly priced and could do better. If wheat continues to come out, it would not be surprising to see finally a greater narrowing between old and the new crop positions. Meanwhile, flour business is very slack. Corn was also weak, but there was not the stop-loss selling that we had in some of the other commodities.

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CHICAGO, 4

December 5, 1956

The job which the American farmer has done far surpasses that of agriculturists in any part of the world. In probably no country of the world today do so few farmers produce so much food to feed and clothe so many people at such reasonable prices. The cropland base today is about the same as it was in 1920. However, for every ten farmers we had then there are only six now. Yet our people, (and we must realize that there are 60 million more) have been eating in recent years better and more nourishing food than ever before in history. Thirty years ago an hour's take-home pay would buy 3 1/2 quarts of milk, while today it buys 7 1/2. Then it bought 1 1/2 lbs of steak as compared with 2 lbs presently. An hour's take-home pay today buys 3 dozen oranges or 11 1/2 cans of tomatoes, which is about three times as much as thirty years back. Farm income has not been getting its fair share of the national income, and that is the reason the government has been doing everything in its power to provide a prosperous, expanding, and free agriculture. This has been handled not only in the field of marketing alone, where exports have been pushed, but the present administration has expanded research appropriations by 75% and they have increased appropriations for agricultural education and extension by over 50%. Many other programs have likewise been worked out, and finally the St. Lawrence Seaway was authorized after thirty years of discussion.

Despite some reactions in the market, farm prices are still about 6% higher than they were at the beginning of the year, and it looks as though 1956 would show net farm income to be close to $12 billion, which is some improvement over 1955. This is somewhat of a reversal because only in two years since 1947 has farm income risen, and one of these two years was due to the Korean war, which provided the kind of markets that were based on bloodshed and certainly not the kind of markets that any of us desire.

Before our opening this morning it was a question, of course, whether the liquidation of the past two days had fully run its course. We pointed out in yesterday's letter that commercial demand had improved, and there was some buying of both beans and wheat, probably against export sales.

Seeding is still under way in some countries of Europe and according to Broomhall rains over wide areas have been beneficial for fall grains. The appearance of fall wheat seems to be good, and in France it is expected that wheat planting will continue to mid-December, with the possibility of a record area sown. Germination has been favorable. Meanwhile France is suffering from the poor crop of last summer, and just recently she purchased 40,000 tons wheat from Italy. In the latter country, heavy rains in the northern sections have improved the crop outlook, and a large acreage to wheat is expected. The same authority notes that harvesting is pretty well advanced in Australia; some upward revisions in estimates are likely, although the earlier pessimistic forecast indicated a crop much below last year. There are no official estimates of the Argentine crop, although private reports are optimistic and look for 257 million bu wheat against 191 million last season and 282 million bu two years ago.

Primary receipts of wheat today amounted to 1,677,000 bu versus 1,077,000 bu last week, and 664,000 bu last year. Kansas City stocks so far this week show a decrease of 53,000 bu; Minneapolis is missing.

The Kansas weekly report stated that dry weather during the past week held back growth of wheat over most of the state, and in some areas resulted in further loss of stand, while in the central and western sections high winds caused dust storms, and some spotted blow-out of wheat.

The more urgent liquidation of yesterday seemed to have run its pace. One of the large locals presumably liquidated a fair amount of his wheat holdings, but same were well taken, no doubt in anticipation that export business will show a sizeable pick-up in the near future, although there was no new business reported overnight. Flour business is draggy, and there is not much support in that element. Industry was a very good buyer of corn today, which helped give strength to that market. Offerings from the country are very light. Beans also showed a recovery after the break of yesterday, and conversion at the moment is very favorable for the crushers.

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CHICAGO, 4

December 6, 1956

Two days ago we had the largest trade on the Board of Trade that we have enjoyed during the past 22 years. This, of course, should be qualified by saying that beans have recently become an important essential of trading, and chances are that if we calculated the commodities just on basis of wheat, corn, oats, rye, etc., the showing would not be quite as flattering as it was. Nevertheless there are more scalpers going back into the wheat market, and the public generally is participating to a greater extent, probably for the reason that our surplus problem is being met and gradually during the coming years we are going to make fairly good inroads into the accumulations. This does not mean that we are going to have shortages, although with smaller acreages under the Soil Bank and wheat getting off to a poor start this fall, our production will gradually decrease. We believe this will be demonstrated when the December government report on winter wheat is issued a little later this month. It is a peculiar thing in economics, but without scarcity there will be neither great anxiety for ownership nor exchange of a commodity at a high price. For example, the air we breath is an essential to life, but it is usually not scarce enough to command a price. Even a baby senses a certain possessive quality when it clings to its bottle, and this, of course, before there is mere self-consciousness in the individual. Thus unless a thing is both desired and scarce no bargain basement is low enough to attract customers. Some child psychologists assert that when the infant clings to a bottle of milk he is asserting a rudimentary sense of economic perception. In other words, a certain consciousness of something which is desired by him and likewise is scarce. Without want for certain commodities nobody would work to produce them or even sacrifice to buy them. Conversely, if anyone can have all he wants of any product without turning his hand to get it, it is not worth much to gain title to it.

We are finding that many people who shunned the opportunity of owning wheat when the carryover surpluses had reached the billion-bushel-mark are now anticipating the time when our reserve stocks will diminish perceptibly, and this is being evidenced in the market, although offset to some extent by the fact that some of the built-up surpluses are beginning to come back into commercial channels. In our opinion it will take a reasonably high price to bring about these redemptions and to permit the government to sell some of its holdings. Therefore, we are fully in sympathy with the belief that wheat will bring fairly good prices this season as otherwise there might still be scarcities in the midst of plenty. On the assumption that our reserve stock of wheat next July will still be close to the billion-bushel-mark, it remains to be seen what percentage will be in free hands. Unquestionably the next crop of spring and winter wheat will not exceed 750 million bu. This will probably not be sufficient to take care of home demands plus likely exports; therefore, we shall have to dip into our reserves.

The early forecasts were fairly optimistic for some moisture Southwest, and while all areas may not be satisfied it should bring some relief to the drought-stricken areas. We are told from Oklahoma that the drought in the northwestern part of the State continues to retard growth of wheat in that area, and that much of the land is susceptible to damage from wind erosion. In other sections wheat is in fair to good condition but will need moisture soon as high winds have caused surface moisture to evaporate rapidly. The same is more or less true in Kansas, while in Texas moisture requirements are more aggravated.

Primary receipts of wheat were pretty large today, amounting to 1.8 million bu; this compared with a little over 1 1/2 million bu last week, and 738,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 225,000 bu.

Trade was very much on the quiet side, and apparently some of the recent selling in the pits had not been fully digested, and there were periods of weakness, although there was some conspicuous buying in wheat by local traders, who had sold out or evened up a day or two ago, and this firmed the market. There was not much export business that could be construed as helpful to the market. India bought eight cargoes of Pacific white wheat for January-February shipment, but apparently no futures were bought against this. Overnight flour sales were extremely light, and there was no encouragement from that source either. The main thing, as we have stated above, is that wheat will have to bring fairly good prices to prevent final defaults under the loan, and redemptions will only occur if the market is favorable as against the loan level. Beans were erratic but weaker. Corn lost a little ground, but it had been so strong yesterday that today's action may have been largely technical. The country is still not offering much, and the cash basis here in Chicago is well maintained.

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CHICAGO, 4

December 7, 1956

The wheat market in our opinion is responding to a number of influences. First of all, it is felt that the rather heavy liquidation during the past week has placed the market in a healthier position. More cognizance now is given to the further exports which are expected for the balance of this month, or during Early January. Already we have shipped nearly twice as much wheat from the U.S. since the first of July as we did a year ago, and clearances, according to Broomhall, indicate that we have exported 189 1/2 million bu thus far compared with only 97 million bu for the same period in 1955. For the past week there was some diminution in shipments, and only 2.6 million bu cleared, but some of this may be due to the freight market, which has been a very tight one. In any case our anxiety to sell surpluses has led to our acceptance of foreign currencies on a scale never before attempted, and where previous dollar shortages existed we have met those objections on part of buyers by letting them have our grain with probably little hope that we will use much of the money we acquire except possibly for defense purposes.

European crops suffered extensive damage last summer, particularly in France, the Low countries, and Switzerland, with large parts of fall-sown areas affected by severe winter weather. Even in Sweden, where they are used to severe temperatures, crops were hurt. The French wheat production, which was probably down a third from the year before, was the most important factor since that country reverted to an import nation, having long competed with us when surpluses existed. Last summer's high moisture content and sprouting made a substantial proportion of the French crop unsuitable for milling, and this was not fully offset by heavier production of feed grains and better potato crops. Even in Western Germany, where breadgrains were probably a little better than the year before, they had some difficulties because only about three-fifths of all the grain had been brought in by September 5th. High moisture and some sprouting prevented gathering of crops promptly. Czechoslovakia, Poland and East Germany had poorer returns than the year before, but this is less important insofar as the export nations are concerned. Even the Danube Basin has had very little influence on world markets while prior to the wars the fertility of their fields was looked upon as a great asset to prospective buyers, and at times they were, indeed, a tremendous competitive factor. In contrast to Northern Europe most parts of the Basin had dry weather during August and early September. One country which has been quite a factor is Yugoslavia. Their results were particularly unfavorable and wheat production reportedly is down about one-fifth from the 1955 level. Altogether we can see a good chance for the continuance of big shipments for the balance of the season. We still feel that a fairly high level of price must result if we are to have a large surplus of free grain in our carryover next July.

More attention is being directed to the very dry soil conditions in the Southwest, and while some hope had been held yesterday of heavy snow developing over Iowa, southeast Nebraska, northeast Kansas, and parts of northern Missouri, this promise seems to be pretty much dissipated. There may be some showers in eastern Oklahoma Friday night and Saturday, and again by Wednesday. No important precipitation is indicated for western Texas. There is a chance, however, of some reasonable precipitation over the Ohio Valley and other parts of the Central States. In any event we can see nothing but a heavy cut in wheat production next summer, which may necessitate eating into our reserves by possibly 250 million bu.

Primary receipts of wheat of 1.4 million bu were quite large, although somewhat smaller than last week when they amounted to 1.9 million bu. This compared with 832,000 bu a year ago. Kansas City and Minneapolis stocks show a total decrease so far this week of 291,000 bu. When the visible supply of wheat is posted on Monday it will compare with a decrease last season of 3,691,000 bu.

Trade was quite dull, but there was marked improvement in sentiment, and wheat prices advanced, December wheat leading the other months, although there was buying of new crop futures because of the possibility of a very small crop next summer. Beans were quite reactionary early, and there was further liquidation, but after the market righted itself there was quite an improvement, although best prices did not hold. Nevertheless, the close showed gains over the night before. Corn did a little better, the cash basis is very firm, and the movement from the country is small. In announcing the details of the 1957 corn support program, USDA states that the amount of corn to be available in 1957-58 marketing year is 4,616 million bu. This would be an all-time record supply. It is based on an estimated October 1, 1957 carryover of 1,415 million bu which will also be an all-time record, plus an estimated 1957 crop of 3,200 million bu.

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CHICAGO, 4

December 10, 1956

Ours is a fast growing country, and we hear a great deal about the increase in population, but less is said about the manner in which this growth has taken place For example, in 1940, 70% of the middle class consumers were located in 169 big cities. Therefore, the need for automobiles was not nearly as great then as it is today. We find now that 61% of the population lives in towns under 25,000, and half of our population is living in towns under 10,000. Consequently they have to have transportation when they go to marketing centers even though there have been many outlying stores erected and many shopping centers have developed. In any case suburban areas are growing seven times faster than the big cities, and this has also meant that building construction has developed and the number of homes has increased with such rapidity that finally great restrictions have been placed upon those who would otherwise build more and better homes without having the full amount of money in all cases to pay for them.

Our total farm aseets are expected to show $5.8 billion rise during 1956. However, most of the increase will be accounted for by higher prices of real estate. Land values showed a 3% gain between mid 1955 and 1956. Gross expenditures on plant and equipment by farmers are expected to total about $3.7 billion in 1956, which is down nearly 15% from a year ago, This is important because farm costs have increased rapidly during the past decade, but there has been a great deal of machinery bought and much of it if properly kept and utilized will give service for many years to come. Farm income may edge up a little in 1957 and in subsequent years, but the indebtedness of producers will continue to grow, though possibly at a slower rate. Heavy income tax payments naturally have their part in the picture. Despite more than a two and one-half-fold increase in debts since the war, only about one-third of the farms are mortgaged and relatively few farmers appear to be seriously burdened by their debts.

Before our market opened this morning there was not too much to guide it. Weather seems to be about the same in the Southwest, although there was 1/4 inch of precipitation at Topeka and a heavier amount in the southeastern part of Kansas. The five-day forecast is not promising for any real relief, although there has been some snow over the central states. The government gave us figures on total wheat impoundings. These amounted to 219.2 million bu, but it was also shown that 15.7 million bu wheat had been redeemed by November 15th, and chances are the amount is even greater by this time. Thus there was 204.5 million bu net under loan, and in all probability there will be a much larger supply of free wheat in the carryover at the end of the season than there was a year ago.

There will be a referendum vote tomorrow in the corn belt, and farmers are apt to turn down the allotment proposal owing to the fact that they want greater freedom in planting and might be willing to take their own chances on the market, particularly since 85% of the corn never leaves the county but is fed.

The visible supply figures were late in being posted, but we had the Chicago stocks, with wheat showing a decrease of 645,000 bu, with slightly less than 11 million bu now here in Chicago, However, there is 765,000 bu still afloat, which was the same as last week. Corn decreased to 19 million bu in elevators, while afloat stocks are 264,000 bu. Rye showed a big decrease, which was more than offset by the amount in boats, and the total in the two positions is about 3 million bu. Beans decreased 1 million bu locally to 7.7 million bu, and then there is 252,000 in ships.

Markets were not particularly active. December wheat opened weaker, but this seemed to have been accidental, and it is now ruling at a fairly good premium over March, with elevators apparently not intent upon delivering much, at least yet. The whole wheat market was fairly firm, and the same was more true of rye and beans, with no particular pressure. Coarse grains were weaker, and there was some selling in both corn and oats, even though the corn basis was firm and country offerings light. We heard that the Northwest rye acreage was down from last year, and that seeding had been accomplished under unfavorable conditions. There was no particular news in wheat. Flour demand remains inactive, and there is not much doing in export circles, Some people feel that with the shortage of ocean tonnage that there may not be much pick-up until after the turn of the year. It looks as though the October soybean crushing figure was overstated.

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CHICAGO, 4 December 11, 1956

The last figure we had on soybean crushings showed that for the month of October 27.9 million bu had been processed. Had that been correct, it would have been the largest in history. It was likewise figured that if the same crushing levels were maintained, we could easily crush 325 million bu soybeans in the U.S. mills during this crop-year. Our attention has been called to the fact that this figure may be somewhat high and the reason for it is due to accounting procedures and some of the beans processed during September were included in the later month's crushings, so that actual processing by industries may prove to be about 1.3 million bu toohigh for October. Consequently, we may have to revise the total year's schedule. This is not too important a factor as other usage will be heavy, and it is thought that if prices remain within reasonable levels, we may export 85 to 90 million bu from the current crop. Of course, there are still uncertainties due to the Suez situation, and it may be several months yet before Manchurian supplies, along with other oilseeds and oil-bearing materials from the Far East, can be delivered to European destinations. It is also likely that 30 million bu for seed and farm disappearance will be possible, and thus there is not a very big carryover in sight, but at this early date many of the estimates may undergo revision.

Through November 15th, producers had placed 34.6 million bu of 1956 crop soybeans under price support. This is nearly three times the 13 million bu of 1955 beans that had been similarly treated. However, this figure is not too significant for the reason that beans have a habit of coming out of the loan quite a little faster than some of the other commodities. Up to the present time, however, the withdrawals have amounted to only 62,000 bu.

Before our market opened this morning there was not too much to guide it. The weather forecast indicated some showers for southeast Kansas and eastern sections of Oklahoma, but as yet there is no general break-up. The change, however, was sufficient to cause some weakness in July wheat, which yesterday had ruled rather strong in comparison with old-crop futures. There was a report that Greece has postponed her purchases of wheat until December 20th, and this may have been the reason for a slightly lower opening. Beans also were a little sluggish at the start, despite higher prices for bean oil. There appears to be a general pause in the overseas demand, and in our opinion it may be due to the holiday ahead plus the fact that exporters from this side are not offering heavily and are probably influenced by the shortage of shipping tonnage, but, nevertheless, we feel that there will be considerable activity after the turn of the year.

There is a referendum vote in the country today and 3 million farmers in 34 states will vote on government crop controls, with most attention centering on corn. Growers will have to decide whether or not they wish to plant the smallest corn acreage in more than 60 years in order to obtain support for their corn crop as they have had in the past. Farmers are offered two alternatives in this referendum: (1) they must decide whether corn plantings in the commercial areas shall be based on 51 million acres and to put 15% of their acreage in the Soil Bank, to get the loan of $1.31 per bu promised; and (2) they would have to determine the future course of the allotment program with acreage limited by a supply formula set by law. Commercial corn plantings in 1957 would be limited to 37.2 million acres, in which case the support price would be $1.36 a bu.

Primary receipts of wheat today amounted to 1.7 million bu which compared with 1.9 million bu last week, and only 517,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 100,000 bu.

Trade was dull, but the wheat market was weak, and disappointing export shipments, as well as limited flour demand, made for small commercial business in the pits, and there seemed to be hardly any hedge lifting. Soybeans finally heeded higher oil prices. The nearby positions of both were the strongest. There was really no feature to the corn market, and trade today was quite light. Spot corn basis was 6¢ over, and country selling remains small. There seems to be a fair amount of indifference at the moment. Rye declined but should hold at around present levels for the reason that it cannot get much under the loan price without causing congestion, and furthermore, stocks are pretty evenly balanced even with small demand.

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CHICAGO, 4 December 12, 1956

The corn farmers of America took time out yesterday to vote on the referendum; and while the final tally is not in yet, indications are that farmers in these areas had voted to retain tight acreage allotments and guaranteed price supports. The 61.2% majority fell short of the two-thirds needed to switch corn from acreage allotments to base acreage. While the whole issue was very confused, (and we are not at all sure the farmers understood the issue involved), it now looks as though a farmer in the commercial producing areas would qualify for 1957 price supports at $1.36 a bu, which is 77% of parity, if he limits his crop to his share of the 37.2 million-acre allotment. We are told that many farmers in Illinois will not go along with the program but rather they will take their chances of raising larger crops and hoping for favorable market prices. In a material sense the economic achievements of American freedom in the last 150 years present the greatest phenomena of all history. Here in America man has been on his own to make the most of whatever intellect, tools, and resources he could assemble by his own personal efforts. Human energy has worked efficiently to supply human needs and satisfy human desires only when and where, and precisely to the extent men knew they were free. For the first time in history that freedom was affirmed and spelled out in the Constitution of the U. S. Americans were henceforth to be unrestrained by political considerations. We believe that the majority of farmers today, despite financial aid and price supports, still believe in and desire the liberty that was granted to them under the Constitution to plant what they want and to market their grain at a period when in their judgment it is most beneficial for them to do so.

While the results of the referendum cannot be fully foretold at this juncture, it does look to us at least as though the acreage devoted to corn will be somewhat larger next summer than the goals which have been set, and to that extent the crop next season may not be cut to the level that is anticipated.

Weather has turned colder in this country and subzero temperatures in Canada are having some effect here. According to the five-day forecast, there will be some moisture in the Central States and there will be some light precipitation, possibly in the form of snow, in western sections of Kansas and Oklahoma, but it should be heavier in the central and eastern parts of those states. While the wheat plant is mostly dormant now it has been said that the condition in Nebraska has deteriorated a few points during the past week due to insufficient moisture and some damage from high winds. The crop does not have sufficient moisture especially in the south central, east central, and southeastern counties except for a few areas bordering the Missouri River.

In Europe conditions appear to be mainly favorable for crop development and there are hardly any complaints. Germination has been mostly uniform and moisture seems to be fairly satisfactory. French weather, which was such an important factor last winter, is now mild and dry, which has facilitated the planting of wheat and a big acreage is predicted, possibly well above any previous season. There are hardly any complaints from Western Germany with respect to winter grains, while in Italy crops have entered the winter condition under favorable auspices.

Primary receipts of wheat were somewhat smaller at 1.1 million bu. This compared with 1.6 million bu last week, and 1.3 million bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 180,000 bu.

Wheat opened weaker, and there was not a great deal of news to account for the early selling. Flour demand was still on the dull side, and no new export business seems to be developing yet in any volume, Late in the session we had a wire that dust was blowing at Amarillo, Texas, with visibility at 2 miles. However, there were also reports of snows at Beloit, Kansas and at Salina, with 2 inches of snow on the ground at Omaha, and some snow at Trenton, Mo. There was a considerable amount of local buying today, and this was mostly in March wheat followed by some commission house buying, which gave us a higher close. Rye was finally higher but the May delivery at Winnipeg is at a discount of 17¢ under Chicago, which discourages aggressive buying here. There are requests every day for Canadian rye, from abroad, but freight rates are so high that importers are not inclined to do much. Corn and beans did somewhat better, and there was no particular pressure on these particular commodities. Trade on the whole was not too active, but with the oil market strong and some further sales to Italy there was enough impetus there to spread into beans, with the result that higher prices were realized. Secretary Benson boosted 1957 Soil Bank payments for 1957 by calculating yields more generously. This brought in more buying.

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CHICAGO, 4 December 13, 1956

Yesterday's weather forecast had been a little more cheerful for some precipitation in the Southwest, but the experts have not been guessing well and there was very little rain or snow reported this morning except for some widely scattered moisture over parts of Missouri. We have thought for a long time, and have mentioned it quite regularly in these letters, that in our opinion the winter wheat report later in the month would show a low condition, and we see no reason to change this view. The winter wheat crop has been uneven in emergence and slow in growth over large areas of the Great Plains where this crop is of prime importance. November precipitation was below normal generally although some rains livened up seeding in eastern Texas, Oklahoma, and other portions of the Plains and eastward. Despite this there were drying winds that sucked up precious moisture; thus it can be said that the chronic pattern of the long drought in the Great Plains is unshaken by the mostly light and passing rains which have occurred. Few people in this part of the country realize that the Kansas weather summaries show the 60-month period since October 1951 to be the worst drought in the State's weather history. In Texas, it has been almost seven years since we have had an average winter wheat crop in that State. Much wheat acreage did not make pasturage this fall; by December 1st, only about 5% of the Kansas wheat was being grazed, which was about the same as a year earlier but only one-third as much as two years ago. In spite of all this favorable conditions later on could overcome the present apparent setback of short early growth, but like a child that gets off to a bad start, it is always a handicap.

We have felt more friendly to July wheat than to old-crop futures on the theory that the 1957-58 season will be an unusual one, certainly in comparison with the last four or five years. Not only shall we discontinue adding to our reserve stocks, but actually shall cut very sharply into these reserves. In our opinion total production of winter and spring wheat will not exceed 750 million bu. On the other hand domestic consumption of 600 million bu, plus likely exports of 400 million bu, will require a billion bushels for these two categories. Hence we shall make heavy inroads into the accumulations by possibly 250 million bu, and thus a year from next July the U.S. carryover may be down to about 750 million bu, which is still 2 1/2 to 3 times a normal reserve, but certainly a great improvement over the figures to which we have grown accustomed. The administration seems determined to reduce acreages and hopes to withdraw anywhere from 20 to 25 million acres from cropland, of which more than half would be concerned with wheat. The previous incentive under the Soil Bank amounted to about $8 per acre, whereas Mr. Benson's statement yesterday indicated an increase to approximately $20. It is a fact, however, that the winter wheat for 1957 has already been planted, and as we read the law only farmers who raise both winter and spring wheat would be permitted to make any further adjustments on their winter wheat acreage, as the deadline for normal plantings has already been established.

The market yesterday had a sharp advance and, therefore, today's early reactions were not surprising even with a pessimistic outlook for the weather. New export business is slow in developing and meanwhile the holiday dullness in the flour market has caused very few hedges to be lifted, so that our market is not getting much encouragement from either of these sources.

Primary receipts of wheat amounted to 1.2 million bu which compared with 1.8 million bu last week, but only 631,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 371,000 bu.

There was a little buying of wheat at times against some spring wheat flour sales, and of course, the higher Soil Bank payments likewise had some influence, but more on the deferred months than the nearby. December wheat was a little weaker today, although trade in it was not particularly heavy, and the open interest is down to 3.8 million bu. There was considerable liquidation in oil, and some people seem to think that the big business for the time being has been put through. In any case, beans responded to lower oil prices, and those markets were weak. In fact, this spread also to lard, with cash houses on the selling side of the market. Corn was also quite weak.

U S wheat and flour shipments for the week were 6 1/4 million bu, bringing the total to somewhat over 200 million bu since July 1st compared with only 102 million bu a year ago.

Weekly weather and crop reports from the Southwest stressed dry soil conditions, although in parts of Oklahoma soil moisture was improved by light rains, sleet and snow which fell on December 7th and 8th. This, however, is believed to be only temporary, but it will give much-needed boost to grain crops.

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CHICAGO, 4 December 14, 1956

Secretary Benson announced a few days ago that Soil Bank payments to farmers would be figured on a more generous basis than had been previously announced, and we shall go into this a little more fully at this time. The approximate national average return per acre of wheat has been advanced to $20.04. On this computation the Secretary figures the national yield of wheat at 16.7 bu per acre, and that, indeed, is a high figure when we consider that the ten-year average yield in the years 1944-53 was only 15.8 bu winter wheat per seeded acre, and the spring wheat crop yielded somewhat less. In the coming report we believe that the government will probably show that there has been approximately 35 million acres of land sown this fall to winter wheat, which would compare with 45.2 million acres last year. In their December report a year ago it was estimated that abandonment would amount to about 18%. Actually this figure was exceeded somewhat, and we do not have the final calculation although expect it next week, but according to the July report there were only 35.3 million acres of winter wheat harvested last summer, which means that nearly 10 million acres were either lost or were not harvested. In the year ahead the abandonment may be much smaller for the reason that winter wheat farmers have undoubtedly planted more than they expected to harvest, but, of course, they have the privilege of taking out of production the poorest acres; therefore, the final result, if we get some moisture, may not be quite as bad as it now appears to be. It is likewise difficult to tell how much of the spring wheat acreage will be withdrawn due to the Soil Bank, but in any case the total remaining acreage will undoubtedly be much less than the 50.4 million that was standing for harvest in the summer of 1956.

Coming now to corn, the government has increased Soil Bank payments to $42.66 and they figure the national yield at 47.4 bu per acre, which is likewise very optimistic because in looking up the figures we find that in the ten-year period, 1944 to 1953 we harvested only 36.4 bu per acre, although in 1954 we did somewhat better at 37.5 bu per acre, and in 1955, 39.8 bu per acre. In any case, it seems quite obvious that the administration is determined to cut down our surpluses in one way or another, and undoubtedly they figure that the more they pay the farmer to cut his production, the faster they will accomplish their purpose.

Before our market opened this morning there was not too much to guide it. In the five-day weather forecast some nice moisture is looked for in the Central States but nothing yet for the Southwest of any consequence. The export demand has fallen off and some of our friends in the East believe that European buyers have overbought and it seems that exporters are now long freight. As a matter of fact, the Atlantic Ocean freight is down to $15.50, which is off $2.00 from the top, while Gulf tonnage is $18.00, also down $2.00, and nominally has declined another 50¢ this morning. We mentioned yesterday that in the coming season our exports may again reach a figure of 400 million bu. This, of course, is dependent quite largely upon crop harvests in Europe. We have had the advantage this season of shipping heavily to countries which have been supplied in the past by France. The French crop is starting under good auspices with a large acreage, and should they get a satisfactory harvest, it would naturally have some influence on our shipments next season.

Primary receipts of wheat amounted to 1,153,000 bu which compared with 1,409,000 bu last week and 755,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total decrease of 429,000 bu. When the visible supply of wheat is posted on Monday it will compare with last year's decrease of 3.7 million

Trade was not heavy, although at the start there were some wheat hedges lifted, and this apparently was against flour business, but subsequently there was some liquidation of both December wheat and some selling of distant futures, but evidently this was fairly well absorbed. The only export business we heard of was via the Pacific Coast, and France was said to have taken two cargoes out there for January-February shipment. Beans were rather weak at times, and there was talk, which we could not confirm, that funds which the government had for financing PL 480 shipments were dwindling, and it is probably a question of whether there will be enough to promote all of the programs that the government has planned until Congress can vote more funds to carry on the various activities. Some of the shorts who sold early, covered, and the market made recoveries, but the oil market is still rather weak, and this apparently is discouraging much new buying. The corn basis is maintained, but there is not much feature to that market, everyone knows that the crop was the second biggest of record, and the government is apt to sell some of its holdings at least for export.

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CHICAGO, 4

December 17, 1956

As we have mentioned in these letters for some time, U. S. shipments of wheat and flour will be very heavy this season, and already we have shipped about twice as much wheat from the U. S. as we did a year ago. We note that for the first five months of the Canadian season their wheat exports have likewise been heavier, and are estimated at 138 million bu compared with 98.4 million bu during the corresponding period a year ago. The principal destination of Canada's combined wheat and flour sales were to the U. S., Germany, Japan, Iron Curtain Countries, including Czechoslovakia, and Poland, and also, some smaller quantities that were shipped to Belgium, Luxemburg, and the Netherlands. Optimistic as this story is for North America, it must be borne in mind that the poor wheat crops in Europe had considerable effect also on the feed grain situation, and particularly the U. S. exports, which are likely to be anywhere from 20 to 25% under last year's all time record of 7.5 million long tons. Our major market is Europe. Because of the heavy supply of non-millable wheat in 1956, there was a much larger acreage of European plantings to feed grains to replace winter-killed wheat, and besides that there was also an unprecedented exportable surplus of barley in France. In order to take care of Europe's wheat requirements the demand for ocean cargo space was devoted to cereal grains, and this, too, is a factor for cutting down our shipments of feedstuffs. The quantities of barley and oats in Canada available for export have also been a very important factor, plus the fact that there is a good deal of barley available in the Middle East, although those surpluses may be kept intact and not moved until the Suez situation clears up.

The corn crop in Argentina seems to be progressing and exportable supplies from that country, as well as from the Union of South Africa, may play an important role a little later on. Despite all this, and assuming that our feed-grain exports are cut by as much as 25%, it would still permit us to do a pretty fair business, and chances are that our shipmentswill be higher than in any of the preceding five years. Nevertheless comparisons with last season will show up poorly. This might even be further accentuated if Argentine corn shipments should return to normal levels. The combined exportable supplies of oats and barley in Argentina and in Australia are not likely to show any significant reduction either, so that altogether we are finding smaller markets abroad than was the case a year ago.

The USDA reported on Saturday that world production of crops and livestock rose to a new high level: namely, 120% of prewar levels. There is an offset, however, because on basis of rising world population, production in 1956-57 is holding steady at 97% of prewar for the third consecutive year. The free world is leading in the race, with production at 100% of prewar, while the communist area output has declined to 91%.

Flour business over the week-end was very limited, while there seemed to be some mill buying in wheat that market was weak, and there was noticeable selling by a local who had been buying March rather heavily last week. The current export business is very small, and one of our export friends in the East has told us there may be inactivity until after the turn of the year, but by that time Southern Hemisphere pressure might increase. From what we hear Europe is temporarily overbought, and with lower freight rates now there is less anxiety to make new commitments until some of the present purchaes have been digested. There was a little early strength in beans, owing to the fact that Communist China was reported to have temporarily suspended exports of beans to Japan, which they claim was caused by the situation in the Middle East. However, it was a little difficult to figure out why such action should have been taken. The strength in beans, however, was short-lived, as there were reports from Washington that the USDA's bank account for export business of agricultural surpluses is almost exhausted. Informed government officials say that the current balance of funds for export financing under Title 1 of P L 480 amounts to no more than $2 million, which is a very meager amount, although when Congress convenes more funds may be made available, which could change the situation. Liquidation in oil was also noticeable. Corn seems to be influenced by the bearish feedstuff situation.

Wheat stocks in Chicago decreased 448,000 bu, leaving a balance of 10,487,000 bu. Wheat afloat was unchanged for the week at 765,000 bu. Chicago corn stocks decreased 440,000 bu, but corn afloat increased 262,000 bu. At present there is approximately 18 1/2 million bu corn in store and 1/2 million afloat. Beans showed a nominal increase.

UHLMANN GRAIN CO.

DAILY MARKET LETTER

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CHICAGO, 4
December 18, 1956

There is always a transitional period during December when the government first gives the final production figures for the various crops that were raised the summer before; then about two days later predicts how much wheat and rye are apt to be raised in the year ahead. If these two reports were coordinated it might have less influence on the market, particularly this season, when we had a somewhat bearish report yesterday increasing the winter and spring wheat yields about 22 million bu, with chances that the estimate for 1957 winter wheat will show a sharp reduction. As matters now stand we have to deal with nearly a billion bu of wheat from the 1956 harvest, and add to it a carryover of 1,034 million bu; thus we started the 1956-57 crop-year with well over 2 billion bu. On the assumption that domestic disappearance, plus exports, will account for half this quantity, it would still leave us with a reserve stock on July 1st, 1957 of 1 billion bu, which indicates that we have made no headway. However, we should start making inroads into the accumulations during the next crop, when acreage will be cut quite drastically due to the Soil Bank and the liberal payments by the government, and the same policy may be continued for a number of years even though it was said to be temporary and that the expenditures would not be long continued.

It is more difficult to appraise the next winter wheat crop than in ordinary times for the reason that the crop got off to a bad start, but farmers undoubtedly planted more than they expect to harvest, and, of course, it will be the poorer acreage that will be taken out of production under the Soil Bank program. Thus we might still have a normal yield of 16 bu per acre on the seeded land, which even under the adverse conditions that have prevailed up to now, might give us a crop of 560 to 600 million bu. On the other hand if we do not get relief soon in the Southwest, the final results may be far different. The government is tentatively figuring on a total winter and spring wheat crop of about 740 million bu, and even allowing for smaller exports next season we would still cut into our reserves. One of two things would have to happen -- either the price this year would be high enough to free some of the wheat which is already impounded, or next year's price would have to be high enough to permit us to build up reasonable stocks of free grain.

The corn crop was also raised to 3,451 million bu, or 39 million more than previously estimated. There was a record average yield of 45.4 bu an acre, and the results were most encouraging considering the small acreage and almost constant drought threats and some actual damage. Altogether it was a tremendous production year, and farmers were said to have overcome the acreage barrier by applying fertilizer heavily and otherwise cashing in on modern technology in order to boost productivity. Hardly any changes were noted for oats, beans, or rye. The first effect of the report was to bring some selling into the market but better support came into wheat, probably against some export sales, also some traders bought because there was no moisture predicted for the Southwest nor is the 30-day outlook particularly good for relief.

Primary receipts of wheat amounted to only 441,000 bu which compared with 1,789,000 bu last week, and 934,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 92,000 bu.

Trade was not particularly heavy, but in wheat there was sufficient absorption on the early break to give the market a firm undertone, and there was a little improvement in the flour business, but nothing very noteable. We reported earlier that some export business had been put through and apparently the sales were to Yugoslavia. It was also reported that Tunis bought a cargo of mixed wheat for January shipment out of the Gulf. New crop wheat futures were independently strong. We heard that some corn was being loaded out of Chicago so that the old freight rates will apply as against the higher new ones, which have now been announced. There seemed to be some scattered commission house buying in oil for the nearby months. In spite of this, beans were mostly weak. The spot corn basis was 5 1/2 over, and we still do not hear of any heavy offerings from the country. On the other hand, some people believe that after the turn of the year there may be some improvement. However, there are some adverse factors also: namely, that farmers may not go heavily into the corn program next season, and if this is the case we might have a fairly large acreage, even though producers by so doing may not be able to avail themselves of the loan. There is also the possibility of government selling from time to time, and with the bearish feed grain situation corn and oats were more or less neglected, and in our opinion it will take new incentive or additional buying to bring about much strength.

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CHICAGO, 4 December 19, 1956

After the close of the market tonight we shall have another government report, and it will indicate how much wheat we may raise next summer. It will also give the acreage after taking into account the reduction through Soil Bank, An abandonment figure will also be given, but altogether it is more difficult to make appraisals this season owing to the fact that farmers may have planted in excess of their allotments, but some of the poorer acres will not be permitted to mature. It is now indicated that about 11 million acres of winter wheat land are going into the acreage reserve and under normal rules of expectancy this would involve about 165 million bu. The spring wheat sign-up, of course, will be undertaken later but perhaps a spring wheat acreage that would normally yield 40 to 50 million bu will also be brought into the Soil Bank. Thus the 1957 harvest might be reduced by as much as 200 million bu as a result of the program, and accordingly roughly this quantity could then come out of our accumulated surplus carryover.

There is no certainty, of course, that we shall be able to export as much wheat and flour next season as we are shipping at present, particularly if Europe has good crops. Present indications are that good headway has been made on the Continent, with seeding of acreage in France somewhat larger than last year, while it is not at all likely that they will have the hard freezes with insufficient moisture covering, such as occurred a year ago. In any case the government is hopeful that we may bite into our accumulations by as much as 250 million bu, or about 25%. A year ago we started with a seeded acreage of 45.2 million winter wheat, and the government forecast that the yield per seeded acre would be 16.3. That would have made for a winter wheat crop of 735.4 million bu. Actually this was a very good prediction, indeed, as the crop turned out within 1 1/2 million bu of that figure, despite the very severe drought which gripped the country and the shortage of rainfall, soil moisture and other water supplies that caused production worries during almost the entire 1956 growing season. It was particularly accentuated in Nebraska, Kansas Oklahoma, and Texas. In today's report the government will find it more difficult to appraise the situation, but nevertheless, we shall have some hint as to what may be expected during the next crop-year.

Before our market opened this morning there had been some hope for moisture in the Southwest, and the five-day forecast indicates that it will be rather light, but, of course, anything at this season of the year would be helpful. Despite this, wheat prices were a little higher, and the carryover feeling from yesterday was a little friendlier to markets, and there were some recoveries also in corn and in beans, although volume of trade was not particularly big. Soybean crushings are expected to run about 26,250,000 bu, or about 1 million more than for the same period last year.

Export sales of beans and oil have been rather slow lately, but there is a chance that Spain may come into the market soon for some oil. We also heard that Pakistan was inquiring for some gulf hard winter wheat, which is quite significant, as heretofore they have been taking mostly wheat via the Pacific.

Primary receipts of wheat amounted to 1.7 million bu which compared with 1.1 million bu last week, and 662,000 bu last year. Kansas City and Minneapolis stocks so far this week show a total increase of 150,000 bu.

We had very much of a holiday market, except that there were some advances all along the line, although it was sort of a reversal from the day before. New-crop wheat futures, which then had been strong, were quite indifferent today, and the nearby futures were probably influenced by a slight improvement in exports. It was reported that France had bought a cargo of mixed wheat out of the Gulf, but during the session we also heard that southwest Oklahoma had received some nice rains, with 1/2 inch at Altus. This may have prevented the July and September futures from gaining any ground, There was a moderate amount of flour business reported, but business on the whole was not substantial. Beans were fairly strong at times, but there was some selling on advances, and best prices did not hold. The same was true of corn, while oats ruled rather firm, and there was hardly any opposition to the advance, as recent selling in that pit has improved the technical situation. Deferred rye futures were strong. It was the last day for trading in December futures. December wheat expired on a big bulge but December corn was weak.

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December 20, 1956

After the close of the market yesterday, we had a crop production report with the government estimating the winter wheat and rye for 1957, and we shall speak first of winter wheat, which is, of course, of greatest interest to the trade. The forecast is for a yield of nearly 625 million bu, which would compare with last year's final production of about 735 million bu, thus a drop of 110 million bu from the year before. However, the figure was higher than most people had expected, and the Crop Reporting Board figures tentatively that we may raise as much as 17 bu per acre on the seeded land. This would compare with only 15.9 bu per acre for the ten years (1945-54). It was a little surprising owing to the fact that so much of the grain in the Southwest had gone into the ground under adverse conditions, but apparently this is offset by better conditions elsewhere such as in Montana and the State of Washington, and generally speaking, on the Pacific Coast. The acreage, of course, is way down because of Soil Bank and drought. Apparently only 36.8 million acres were planted compared to a ten-year average of nearly 55 million. This will be the smallest seeding since 1913. It is also nearly one-fifth less than last year and nearly one-third less than average.

The government points out that in mentioning a production figure it should be made clear that weather conditions between now and harvest time, as well as other factors, such as insect damage, disease, etc., will have quite a bearing on the final outturn of the crop. In the past twenty years the average change in U.S. production from the December estimate to harvest has been as much as 113 million bu. Last year, as we mentioned yesterday, they hit the nail right on the head. Of course, the smaller the acreage, the less chance for variation, but even so, it must be noted that the crop is described as thirsty and has gotten off to a poor start. Furthermore, there were delays in seeding, or slow plant development, or in some cases both. For the Southwest states, including Kansas, Nebraska, Texas, and Oklahoma, they estimate that we may raise only 202.5 million bu in those states compared with 299.4 million last year. All abandonment is estimated at 18.9%. This, too, is a rather high figure and compares with only 13.1 for the ten-year average period. As we have figured out, if the full abandonment takes place, we shall have a standing acreage of only 29,827,000 acres of winter wheat, and it would take a yield of nearly 21 bu per acre to give us the results that are now anticipated. That would be slightly larger than for the season just passed but, of course, one can only make conjectures at this time and not reach absolute conclusions.

As was to be expected, the new-crop futures were weak and there was a little rain in parts of the Southwest, although not much in Kansas but a few points in Texas were favored. As we mentioned yesterday there has been some relief in southwest Oklahoma. The December wheat which expired yesterday was very strong, and we understand that there will be some deliveries by an elevator concern, but the trade apparently feels that it took a high premium to tempt holders to dispose of their wheat, and consequently, there was a considerable buying movement in the March delivery this morning, which widened its premium over May. Kansas City July wheat, which was selling at a discount of more than 3¢ under Chicago, also was a little firmer than we were, and it looks as though the hard wheat situation in the Southwest next season might be strong.

Kansas, which is the largest single winter wheat state, has a prospect for only about 80 million bu, and much of the wheat was dusted in, and up to the present time as the result of late seeding and unseasonably low temperatures, the plants have made little top growth and root development, while surface soils are vulnerable to seed erosion. As for rye the sown acreage is 4.4 million, which is a drop of 3% from that sown in the fall of 1955, and it is 14% less than the large acreage sown in 1954. Still it is one-fifth above the ten-year average. The condition is low but in rye very often half the acreage is not permitted to mature, and price plays an important function in this determination, but at a later date.

Primary receipts of wheat were somewhat over the million bu mark, slightly less than last week, but more than last year. Kansas City and Minneapolis stocks so far this week show a total increase of 165,000 bu.

The firmness in wheat was all in the nearby delivery. New-crop months were actually lower, probably in response to the crop report which was construed as bearish. Pakistan bought seven cargoes of Pacific Coast wheat, but Gulf and Atlantic business was conspicuous by its absence. Exporters report that Spain bought only 4,400,000 pounds of refined soybean oil out of total offerings requested of 55 million pounds. The balance was rejected as prices were considered too high. Corn was weak but beans were somewhat mixed, and altogether there was no very important feature, except the government continues to sell corn.

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CHICAGO, 4 December 21, 1956

As the year 1956 draws to a close, we pause for a moment to see how agriculture has fared during this period, and we find that a total of 79 crops has a value of nearly $19 billion. This is an increase of about $400 million over the previous year. In these calculations no account is made of any monies received from the government, but we merely try to compute prices on preliminary returns, which may require some adjustment later on. In this category there are six commodities which account for the bulk of the income to farmers, and we list these items below with their approximate value based on average returns for the year:

		(1,000 dollars)
Corn	–	$4,571,274
Cotton	–	2,151,555
Wheat	–	1,969,806
Tobacco	–	1,147,324
Hay	–	2,302,110
Soybeans	–	1,011,716

Strangely enough, when the government started to support agricultural commodities they picked six which they considered basic. These were wheat, corn, cotton, tobacco, peanuts, and rice. Why the latter two were chosen we shall never know because the peanut crop is worth this year a little less than $175 million, while the rice crop will bring farmers a return of about $222,522,000. There are tainly many other items that are more basic than rice or peanuts. For example, the billion-dollar soybean crop is more important from point of view of dollars and cents and even the value of oranges this year will amount to about $315 million, while the return from apples is just less than $235 million. If we were to scan the list, we might find any number of commodities that are relatively important, such as peaches, grapes, tomatoes, and even lettuce, which one hardly ever regards as bringing a big return to the producer. Potatoes are in a category of importance also as they were worth about $513 million this season, and, of course, the oat crop with a value of $806 million is also one that should not be lightly passed over. Sorghum grain has assumed larger proportions and now has a value of about $245 million. Thus it can be seen that if we really wanted a truly effective agricultural program there would have to be many revisions not only in the consideration of commodities, but also, in the manner with which each should be dealt-- certainly something too complicated to be treated in a short market letter just before Christmas.

When our market opened this morning there was some buying of wheat futures by exporters, and this may have been against yesterday's business to Greece, or possibly against other business which is still in the making. We believe that the Japanese business will all govia the Pacific Coast. CCC sold two yellow corn to exporters and this seems to be somewhat of a depressing factor. According to Broomhall, U. S. wheat and flour exports last week were 5.8 million bu, and since July 1st, we have shipped a total of 209 1/2 million bu vs. 198 million bu a year ago. Our corn exports since October 1st amounted to 28 million, a reduction of only 1 1/2 million from last year.

There was nothing much in today's statistics. The primary movement of wheat was pretty heavy and considerably larger than last year. So far this week Kansas City and Minneapolis wheat stocks show a total increase of 271,000 bu. When the visible supply is posted on Monday it will compare with a decrease in wheat last year of 4.8 million bu.

There was considerable buying in the oil markets. Meal was also strong, and a good many of the locals seemed to be short, and were having some difficulty in covering. All this, of course, had a stimulating effect on the bean market, which was higher. Also some buying early took place because of the possibility of ssles to Formosa, and there are some beans being shipped out of Chicago, presumably for processor account. As for wheat, there was not much feature, except that March wheat ruled very firm, but with some moisture liekly in the Southwest, at least indicated in the five-day outlok, for eastern Kansas and eastern Oklahoma, new crop futures were pretty much neglected. There was some buying of corn on breaks, but government selling placed a damper on enthusiasm. Rye was somewhat higher. There will be no letter on Monday.

UHLMANN GRAIN CO.

WE WISH YOU ALL A VERY MERRY CHRISTMAS

DAILY MARKET LETTER

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CHICAGO, 4 December 26, 1956

Over the holiday we learned that the wheat crop in Australia has now been officially estimated at only 126.6 million bu compared with 196 million bu last year. This is really a very small crop although there will be some surplus for export, as Australian home requirements generally range somewhere between 70 to 75 million bu; thus there might be upwards of 50 million bu that they could ship, plus the fact that the carryover in that country is estimated officially to be 84 million bu, although this is 7 million smaller than the year before. The main reason for this year's small crop is that the acreage has been reduced to 7.7 million acres against over 10 million the year before. What was probably more surprising was that the French acreage, which heretofore had been thought to be as large as last season, but it amounts to only 9 million acres up to this time compared with 10.3 million acres planted to the same date in 1955. This is modified, however, by the fact that if weather permits planting will continue through this month, and, consequently, there is still a good likelihood that the acreage will contrast favorably with recent years, although the prediction that there may be a record amount sown will probably not be realized.

According to the USDA, production forecasts for 1956-57 indicate that the agricultural output in Western Europe will reach the same level as in the two preceding years when total reached 127% of prewar levels. This in itself would be somewhat bearish but cognizance should be taken of the population, which continues to expand at a rate approximately 1% per year, and thus we have some offsets except that there is stability of total output because of technological advances although probably to a lesser extent than in the U. S. It is rather difficult always to find out what is happening in the Soviet Union. This much, however, is known: namely, that emphasis on part of the government policy has been toward increased agricultural output, and acreage for the 1956 harvest was upped by more than 20 million to an all-time record of 480 million acres. The government continued with its program of grain expansion, which was mostly toward increasing the planting of spring wheat on virgin soils, as well as long uncultivated lands east of the Volga and Urals. Last year's crops were adversely affected by bad weather, shortage of drying, transportation, and storage facilities, and general mismanagement. For these reasons even the milling quality of much of the crop was said to be below average.

Here at home there was not a great deal of news to influence markets. Weather in the Southwest was for the most part dry, and there is no indication yet for a general break-up although some moisture occurred in the Central States, but this was confined largely to areas around the lakes.

The November crushing report was published showing 26.6 million bu of beans processed, and there was an increase of about 1.2 million bu from last year but compared with a figure of nearly 28 million bu for October, which still seems to be used, despite some doubt that this may have included some crushing from the month before. A few weeks ago there were a number of reports circulated that the uncommitted funds remaining for P. L. #480 had dropped to a low of about $2 million but according to the American Soybean Association, this was a misleading statement and actually there might be as much as $400 million still free for the handling of shipments, which, of course, would have a considerable influence on the amounts of fats and oils that might be shipped abroad.

Primary receipts of wheat amounted to 1 1/2 million bu compared with 1.7 million bu last week, and 1.1 million last year. Kansas City and Minneapolis stocks so far this week show a net increase of 23,000 bu. Wheat stocks here in Chicago decreased 314,000 bu during the week, leaving 10.1 million bu in elevators, plus an additional 765,000 bu afloat. Local corn stocks declined 786,000 bu, but there is still more than 18 million bu in this market, including the amount afloat. Bean stocks decreased 283,000 bu. Including the amount in vessels and in elevators, there is 7.7 million bu here in Chicago.

Trade was still of a holiday character, but it was encouraging to hear by way of London that an official source in Cairo had stated that work was starting to clear up the Suez Canal. Nasser has indicated he is ready to enter negotiations with the West for a permanent Suez Canal agreement. This had a little influence on beans. Grains were not much changed from the day before, but old-crop months of wheat were a little lower, while the distant futures, representing the newcrop were firm. Moisture and drought conditions in the Great Plains Region are the worst on record.

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CHICAGO, 4 December 27, 1956

It is, indeed, fortunate that the calendar year 1956 has set a new record for agricultural export volume. Based on preliminary figures our farm exports will probably surpass the $4 billion-dollar-mark, which would be an increase of 30% over 1955. Exports of agricultural products have increased every year since 1953. The total gain since then has been 40% in value and 60% in quantity. Several of the major commodity groups are establishing new records, as, for example, grain and feed exports are breaking the record set in 1947 and equalled in 1951. Vegetable oils and oilseeds are surpassing the 1955 peak, while fruits and vegetables are moving ahead of the 1947 record quantity. Much of this was made possible by government programs, and they were farsighted in liberalizing many of the sales programs as total supplies of agricultural commodities in this country for the 1956-57 marketing year were at a record high. Production in 1956 reached a peak, thus attaining a level slightly above that of 1955, and about half again larger than the prewar level average (1935-39).

As we have mentioned so often in these letters, the Soil Bank will bring about great readjustments, and we would say that the programs thus far have been successful beyond expectation. The sign-up this fall was for nearly 11 million acres of winter wheat, and while the spring-seeded wheat sign-up is still a matter of conjecture, it may make the goal of 12 to 15 million acres in the Soil Bank a reality. For every dollar that is now being spent by consumers for food, approximately 8¢ goes for transportation. This compares with less than 6¢ of the consumer's dollar thus spent in 1945. Of course, there are variations according to locality, but taking both long and short hauls into account, this is the over-all picture.

Before our market opened this morning, there was the question of weather, which still remains dry Southwest, and there seems to be no indication for relief in the foreseeable future. According to officials this is the worst drought condition in our history, and the areas hardest hit were the Southern Great Plains, which seem to be in worse shape than farm lands in the northern sector. It is estimated that 24.8 million acres are in serious condition where high winds and blowing may cause further damage. This is mainly in Kansas, Texas, Oklahoma, Colorado, and New Mexico. There are an additional 4 million acres in vulnerable condition, and while it is difficult to determine what the final results will be, all that can be said now is that a great deal will depend on the velocity and duration of windstorms, the amounts and frequency of precipitation, and the timeliness of emergency tillage in the so-called "blow" areas. Since last July precipitation has been very light, and the small amount of rainfall was scattered and insufficient for profitable crop and grass production and did not add to the already depleted soil moisture reserves.

There were reports that Formosa had bought 5 cargoes of soybeans for scattered shipment between February and August. This, however, was offset to some extent by reports that work would start soon in the Suez Canal area to clean up debris. Its importance lies in the fact that free shipments would greatly relieve any urgency which has already caused stockpiling in many areas.

In Europe, the crop outlook is mostly favorable with only occasional complaints with respect to the outlook for winter grains. Even inFrance, where the full acreage has not been planted, conditions seem to be satisfactory.

Primary receipts of wheat today amounted to 1.2 million bu. This was not large but compared with only 1 million bu last week, and 810,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 127,000 bu

Trade was still of a holiday character, and flour business was nearly a blank. One exporter bought some futures but we heard of no new business. March wheat was under pressure, but selling was not heavy, while the deferred futures responded to the crop news and state reports, which continued bullish. The outstanding weakness today was in rye, which was about 3¢ per bu lower. Corn was off fractionally in spite of the firm basis for cash, the premium being about 1¢ better than yesterday. Beans were not heavily traded, but there was a little buying by export interests, and it was thought that Japanese importers had sold 3 of the 5 cargoes to Formosa. The fact that the Canal is going to be cleared prevented much enthusiasm.

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DAILY MARKET LETTER

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CHICAGO, 4 December 28, 1956

We just read a few days ago that the Chief Economic Planner in Russia was ousted and his successor chosen. It was not so long ago that Malenkov was removed from office because the agricultural program had failed, and it all goes to show that planning by a Central Committee has failed in that country as it has elsewhere in the world. Even the ablest men are bound to make mistakes and experience has always indicated that wherever there is a dictated economy, there is inevitably a very wide gap between planning and income. There is a French proverb which says: "We should manage fortune like our health; enjoy it when it is good and be patient when it is bad." Unfortunately there are not many politicians in the world who would agree with this philosophy. Almost every country seems to have some sort of pet scheme for artificially stimulating business and attempting to prevent a depression.

Whenever liberties were trampled under foot, the peoples of that country were pauperized, and such have been the inevitable consequences down through the ages of planning even under the guise of government attempts to bring relief to every segment of our society. On the other hand, a free market is an expression of the ideals of Democracy, which has made America great, and we should appreciate this all the more at a time when economic lights in many parts of the world have been dimmed and when even some markets have been closed by government edict. Whenever an individual is deprived of the competitive urge to make more things, to earn more profits, or to have more money we have found that initiative was likewise controlled. If security had been the dominating force early in our history, there would have been no economic progress. As it was, however, every step in our forward march was marked by risk-taking and without supports, controls, or government hand-outs. Every plan we make for the future is tinged with our acute awareness of the peril in which we live. In spite of this, freedom is still our greatest asset, and governments should try to create a favorable climate for free enterprise, whether it be in business or in farming, so that we may face the future with confidence and enthusiasm. Under conditions of that kind everyone would feel free to make long-term commitments that would furnish jobs, which in the final analysis is the only true source of security.

We learned this morning that Japan's new government had decided tentatively to stop buying American farm surpluses, especially wheat. Instead they have turned to Australia, and while government officials refuse to comment directly, it seems to be the consensus to reappraise some of the U. S. policies, as, for example, a stipulation that surplus goods would be carried to the extent of 50% in American ships. Japan took $85 million worth of our products in 1955, and signed up for nearly $66 million this year. Thus they are, indeed, a good customer, and if they are lost to us as a client, it would be quite a blow. Japan also objects to the way our government prescribes in general what investments can be made with the money from the re-sale of the products.

All this had very little influence on our markets and we are still in a holiday trading period, with commercial business in the pits slow. CCC was said to have sold 1 3/4 million bu corn, which naturally is a deterrent to speculation on the constructive side of the market.

There has been little or no precipitation in the Southwest, nor is any expected, according to the 5-day weather outlook. There has been some moisture, however, in Illinois and Indiana, which is moving eastward, and as much as 6 inches may fall through some sections of Ohio.

Primary receipts of wheat today were 1.2 million bu, which was practically the same as last week and compared with 812,000 bu last year. Kansas City and Minneapolis stocks so far this week show a net decrease of 28,000 bu. When the visible supply is posted on Monday, it will compare with a decrease last year of 2.7 million bu.

Trade was rather quiet. Moderate amounts of beans are expected to be tendered against January contracts. Meanwhile trade is slow, and there is not much inspiration from the oil markets. It was stated that Secretary Benson, in talking with the President, had discussed the possibility of selling surplus agricultural commodities to the Satellites in return for stragetic materials, but this likewise had little influence, and it would probably have to be ratified by Congress. Deferred wheat futures were higher. We had one message from western Kansas that winds of 40 MPH velocity were causing dirt to stir. On the other hand, with dull flour and export business, old-crop futures were a shade lower. Corn was firm, but there was no feature.

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CHICAGO MERCANTILE EX.

CHICAGO, 4 December 31, 1956

Another year has drawn to a close-- one which should have been encouraging to farmers and to American agriculture. There were a good many obstacles to overcome, and because of the various government programs the total acreage of crops planted or grown in 1956 was about 346 million acres, which was the smallest planted in any year since 1939. That was the year that World War II had erupted in Europe.

Because of adverse weather and other conditions, the harvested acreage of 59 crops declined to 319 million acres, which was the smallest since the drought disaster year of 1936. Actually, it was 14 million acres below last year's total. Despite all this, the total crop production equalled the previous record even though we had the smallest total harvested area in twenty years. This large outturn was attained in a growing season, with rather cool spring weather and drought threats or actual damage to crops over large parts of the nation. While it is true that only one major field crop: namely, soybeans, reached a production record, there were several important crops that did very well, as, for example, corn, winter wheat, spring wheat, potatoes, and flaxseed. A new high yield per acre was set in 1956 for corn, spring wheat, barley, potatoes, and tobacco. We had actually 26.5 million acres of cropland abandoned, which did not include the land given up for small grain acreage, and this was more than in any year since 1936, and up 5.5 million acres from the 21 million acres abandoned or diverted in 1955.

It was a crop-year when we had good early moisture in Northeastern, Middle Atlantic States, as well as the West Coast, and a few other sections of the country, contrasted with dry soils in a large area from Indiana west to the Rockies, and from Iowa and South Dakota southward to the gulf. Throughout this latter area the 1955 winter was followed by a spring in which dry seedbeds posed the most common planting problem. In Kansas, for example, serious and consistent precipitation deficiencies have accumulated since October, 1951, No wonder, therefore, that many experienced farmers planted doubtfully, hoping from week to week that there would be relief through rain. Actual precipitation was more than ample in the eastern third of the country, while elsewhere timing of rainfall was extremely important, especially when scarce.

Of equal importance was the absence of scorching hot days when crops were pollinating or filling. Illinois had a standout season in 1956 for most crops, and here as in some other areas the even temperatures which prevailed and some good August rains eased the crops through to high yields when there was only a slim supply of moisture. Conditions of this kind were not uniform and in almost all parts of Iowa, also in Nebraska, Kansas, Oklahoma, and Texas, the rains never came at the right time, and we had some withering days at critical periods. All this necessitated the Department of Agriculture to pass drought-relief measures, which are still in effect. Nevertheless, the overall results were not bad due to the ingenuity of producers who made the best of conditions in many of the bad sections of the country. The farmer was also helped by the Soil Bank Program, which permitted him to place some of his abandoned or diverted acres into the reserve. The government liberalized this program so that growers were permitted to graze the corn acreage put in the Soil Bank in the drought-disaster areas.

Net farm income should be somewhat better than the year before, although it will still be about $5 billion less than the record achieved in 1947. What is more important to farm people is that the general economic improvement, as well as higher prices, came about in the only way that sound and permanent improvement should come-- from expanded markets, from better handling of surpluses, and from increased movement of products into actual use-- in short, a better balance between production and consumption. We believe that price must continue to furnish this kind of guidance to the American economy, which, of course, includes agriculture. We further maintain that price flexibility is necessary if prices are to perform their essential function of guiding the productive resources of American farms and ranches.

WE WISH YOU ALL A VERY HAPPY NEW YEAR.

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